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NEW TIMES

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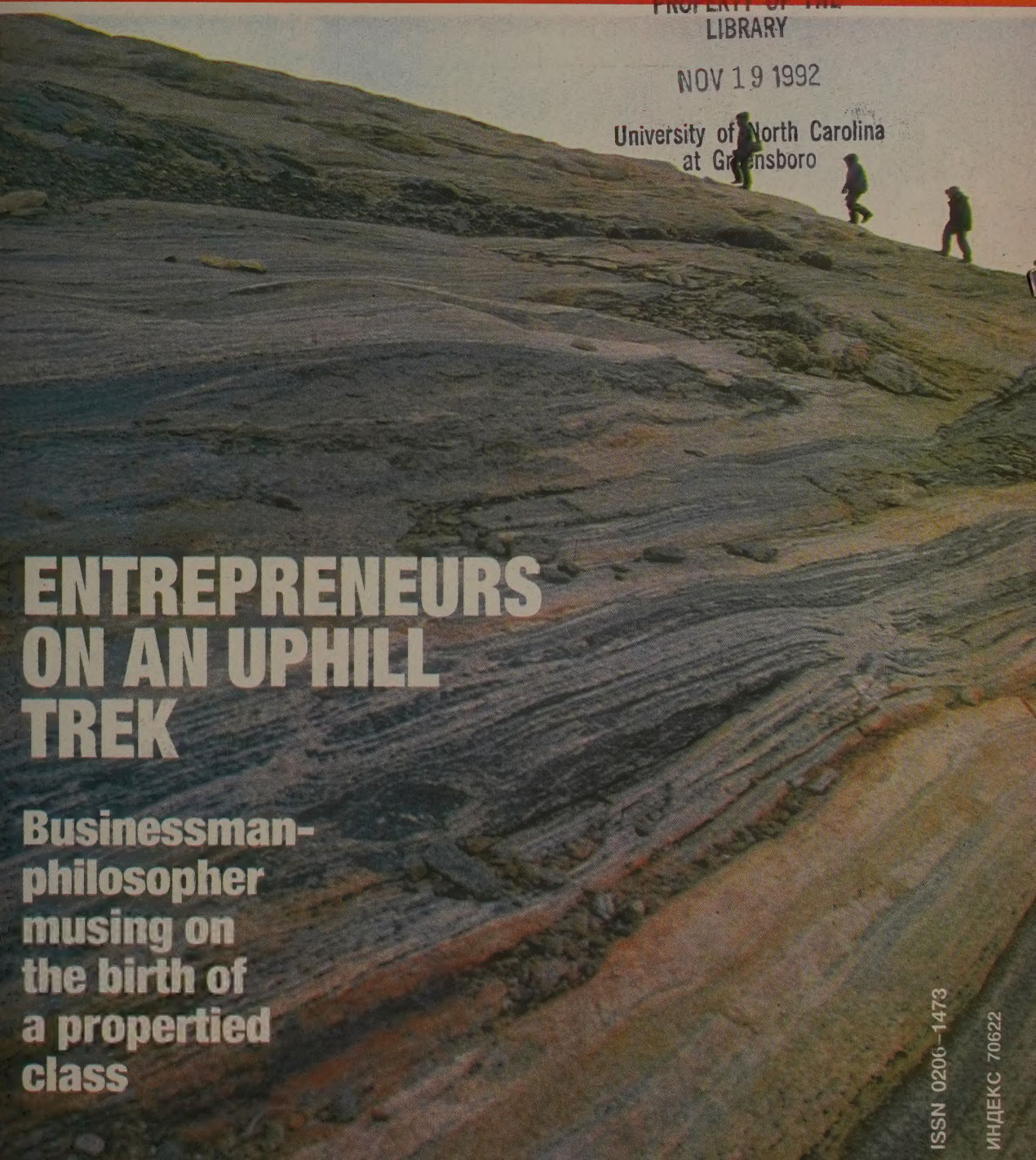

ENTREPRENEURS ON AN UPHILL TREK

Businessman-philosopher musing on the birth of a propertied class

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ПОЛЕТ
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INTERNATIONAL

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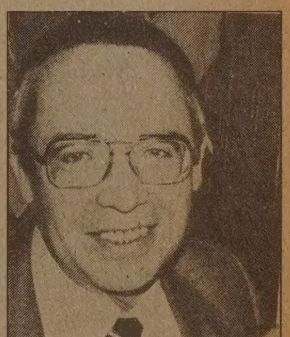


20 Mark Masarsky: I believe that the middle class in Russia will within not much time become a majority

Cover photo by Yevgeny Stetsko

No need for moralizing

Academician Shilov's letter makes me think that the pronoun "we" should be used carefully. The respected Academician writes: "By supporting and financing the anti-government radio (being beamed to Vietnam), we evidently are trying again to teach the Vietnamese how to live."

Who are "we"? The only state radio station in Russia broadcasting to Vietnam doesn't teach anyone, the Vietnamese included. It informs about events in our country and abroad. Incidentally, it informs in the way advised by the Academician, telling the whole truth. If he has in mind sponsors of the "dissident" radio, Radio Moscow International bears no responsibility for the privately owned Radio Irina. Its broadcasts reflect the views of those who finance it.

However, I fully agree with Academician Shilov's view that we should not teach the Vietnamese how to live.

A. Sunnerberg,
head of the South-East Asian department of Radio Moscow International

It could be worse

Any human rights champion would naturally condemn the abuses of civil and political rights taking place in today's Baltic states. Ethno-favouritism as a state policy has always been akin to fascism. Blasphemous as it may sound, discrimination is not the same in different countries. The cultural and historical context is very important in this respect. The treatment of the Russians in the Baltic states speaks of the restraint and culture of their peoples. It could be worse.

A.N.

Urgent plea for aid

Gentlemen,

I appeal to you in the hope that you can help to save the life of my only son Alyosha. He is 19. In June of this year, he became ill with acute leukosis. For the purpose of raising money needed for his treatment, the Strojinvest Bank has opened a foreign currency account P/C 711040 International Moscow Bank, Moscow Acc.No 3532 ODB0103USD, Commercial Bank Strojinvest, Sklyarova Natalia Vasilievna.

The account in rubles is: Moscow, First Russian Independent Bank, correspondent account 161192 in TsOU, Central Bank of Russia, MFO 299112. Current account 711035. Cipher SNV (Sklyarova Natalia Vasilievna).

Let's return to the past

I find your articles very interesting. However, one of the authors, Tatiana Ivanova, pictures our past only in black. What does she sneer at Lenin and other Soviet leaders for? First of all, they succeeded in building a people's state. Second, they were intelligent and selfless people. Politicians, however sly are they, need to be treated with irony.

If you like some politician – support him, but do it quietly and ironically, without much ado or hysteria. You should treat likewise those whom you don't like. Don't get all worked up if suddenly a politician is elbowed out of the limelight. Let's suppose present leaders leave and new politicians do come, all the same nothing will change.

There was much uproar over the events in Vilnius, Tbilisi and Baku. Considerably more people are these days being killed in various places. The news media seems to have gotten used to this and gives "objective" information without emotions. Some time ago emotions led to the breakdown of the state. I can't understand why independence is any better. On the contrary, the more independent countries we have, the more money goes to statesmen at various levels. It's foolish and wasteful.

Does it really matter which person and of what nationality holds the top post in a district, region or republic? Embezzlement and abuses of power continue to flourish. Whatever you can say, we lived better in the USSR. There is no denying that Gorbachev is the wisest among Soviet politicians. So let's return to the past. All these monetarists, Keynesians and the like only know how to talk rubbish.

Rinat, 17
Dzhambul

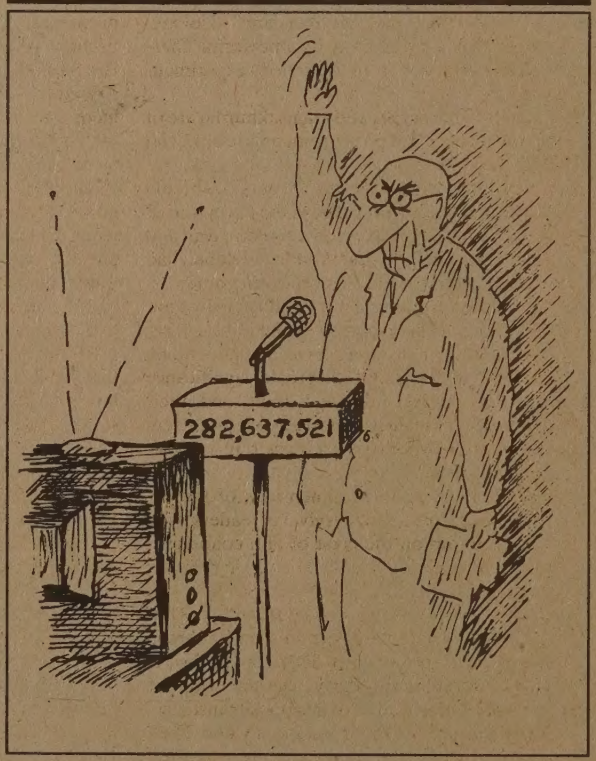
Possibility for compromise

Writing about the conflict over the Dniester Republic, many journalists mention that its territory was not historically part of Moldavia or Bessarabia and was arbitrarily included in the Moldavian Soviet Socialist Republic. Given this, as we know, many insist on separating the Dniester left-bank territory from Moldova (former Moldavia). However, few journalists recall that the southern part of Bessarabia, taken away from Romania in 1940, was for some reason included not in Moldavia, but Ukraine. The same can be said about Northern Bukovina.

In any case, not only an additional source of tension, but also the possibility of a compromise can be found here, namely, the possibility of a territorial exchange between Moldova and Ukraine. As a result of such an exchange Moldova will regain the territory of former Bessarabia and Ukraine will get back the Dniester left-bank territory as a republic or as part of a federation. The consent of both republics will certainly be needed for this purpose. But, I think, protracted talks are better than a permanent war.

G. Kuznetsov
Almetyevsk, Tatarstan

THE WAY I SEE IT



Drawing by Alexander Zudin

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Lithuania: win for Gorbachev's heirs gives Yeltsin the shivers

At the Lithuanian elections Vitautas Landsbergis, the Parliamentary Speaker advocated his loyalty to democracy, while his veteran rival Algirdas Brazauskas, leader of the Democratic Working People's Party, stressed the viability of reformed communism. The latter's success and the fiasco of the once superpopular Sajudis make us ponder over future of post-Soviet political systems.

What overtook Landsbergis may to some extent be compared to Zviad Gamsakhurdia's lot, although there is no question that in Lithuania its leader has shown a more civilized attitude to alternation. However, the similar basic aspect cannot be questioned. Both Landsbergis and Gamsakhurdia rashly thought everything Soviet had gone with the collapse of Soviet power and the CPSU, that they had been able to resuscitate pre-Soviet Lithuania and pre-Soviet Georgia from oblivion. They had both sought to offer an alternative in the fields of economics, politics and ideology, but had been swept away by a powerful Thermidorian setback from too sneedy experimentation.

Both Landsberges and Gamsakhurdia are of that rare species of post-Soviet politicians, who had accounts to settle with the communist regime. Otherwise the other leaders of the ex-Soviet republics with perhaps the exception of Armenian President Levon Ter-Petrosyan and Azerbaijanian President Abulfaz Elchibei, had it good under the old regime scoring noteworthy political careers. Their stability derives not only from their expertise in heading power structures that in effect have not undergone any serious change. Of still greater significance are their social links and roots and their psychology which makes them kin with segments upon whom power may rely in post-Soviet society.

Within the political dimensions of the ex-USSR the capacity for survival of leaders, who have risen up on the crest of anti-communist revolutions, directly depends on their ability to quietly put paid to these revolutions. Not everywhere is this proceeding smoothly. Thus Tajikistan, where the Thermidorian Rakhmon Nabiev, the former First Secretary of the republic's Communist Party, clashed with the wave of Islamism, affords an apposite instance. Yet there are far more instances when Thermidor rescues the ruler, which is easiest achieved by the previous *nomenklatura*.

For Algirdas Brazauskas, former First Secretary of the Lithuanian Communist Party, this is no communist pipe dream whatever, but an understanding of the three realistic political aspects that are of importance not only for the Baltic republics. Firstly, nationalism is bad for market reform, as the result of which populism – the crucial instrument for control in any post-authoritarian society – is monopolized by Leftist adversaries. Secondly, the entrepreneurial strata, upon whom Sajudis for example relied, rose up from within the communist *nomenklatura*, whose proclivities stem from the fact that their very emergence derives from the revisionist trend in Soviet communism, that installed Gorbachev in Moscow and, somewhat later, Brazauskas in Vilnius.

Thirdly, note the geostrategic aspect. One more pipe dream, that let Landsbergis and Gamsakhurdia down, was their immediate detachment from Russia for a link-up with Europe. While that would have been conceivable given massive Western assistance, in reality every attempt to tackle problems, with which the empire's former fringes are faced, depends in one way or another upon the relationship with Russia. The question begging here is who is best able to secure a normal relationship in that respect.

In this sense Brazauskas has a far better option than Landsbergis. After all, he has a much closer link with the former *nomenklatura* increasingly surrounding the Yeltsin regime. His Moscow lobby already enabled him to survive the harsh financial pressure that the Lithuanian authorities exerted. Currently this lobby makes no bones about hopes for still closer cooperation.

At any rate for Boris Yeltsin the victory gained by those, whom his immediate associates, including the radical Gennady Burbulis, thought Gorbachevites, serves a serious warning, a reminder of how dangerous it is not to promptly discard that romantic revolutionary idealism, which following up August putsch fiasco had presumably dominated post-Soviet politics.

Vladimir Kulistikov

THIS WEEK

■ A founding congress of the National Salvation Front took place in Moscow. This organization unites members of the stalwart opposition to the President and the government of the Russian Federation. The sponsors of the forum state that the opposition must rally for carrying out urgent anti-President measures, restoring the territorial integrity of the USSR and the unity of armed forces, and strengthening the guiding role of the state. The aim of the congress, it was noted, is to form an organization capable of "seriously waging a struggle for power, but waging it exclusively by lawful, constitutional methods." At the forthcoming Congress of People's Deputies the opposition intends to seek the resignation of the government.

Yeltsin out – demand "The National Saviors"

Photo by Alexei Kudenko

In his speech addressed to the Foreign Ministry Board of Russia, Boris Yeltsin demanded that "the National Salvation Front should be disbanded because of its calls for the overthrow of the legitimate government, attempting to destabilize the situation in society and inciting conflict between various political groups." The state leader proposed to introduce a Decree on direct action and expressed readiness to assume personal responsibility for its application.

■ More than a month is before the opening of the Congress of People's Deputies, and the political tension in society as well as in the higher echelons of power has reached a critical point. The confrontation between a majority of the parliament and the government and the President is being strongly felt. The parliament's refusal to meet the request of the President and the council of republics' leaders for the postponing of the congress till next spring seems to have killed one of the last chances for achieving a compromise. It's no wonder that in such a tense atmosphere ungainly political scandals break out one after another.

The "right-left" opposition came to a head over the statement made by members of the Russian government – M. Poltoranin, A. Chubais and A. Kozyrev and State Secretary G. Burbulis – at their meeting with foreign journalists.

Having put law-making aside, the deputies decided to summon the ministers concerned along with the State Secretary to ask for an explanation. The "guilty" members of the government with the exception of A. Chubais, who was in St. Petersburg at the time, arrived in parliament. Their opinion was expressed by Andrei Kozyrev, who said they were not going to retract their words. They regard the danger of revenge extremely serious and believe it would be wrong to keep silent. Kozyrev said that the ministers are prepared to discuss the present internal situation with deputies within a few days.

In result the three ministers and the State Secretary stood up and silently left the hall without entering into the discussion. Such a disrespectful attitude for the audience caused a storm of indignation. The deputies resolved to form a commission to examine the statement by the ministers and the State Secretary.

■ No less scandalous was also the examination of the work of the parliament's guard, especially after its captain had been killed a few days before while resisting the police. It came out during the inquiry that the Chief Administration for the Protection of Buildings of Higher Bodies of Authority and Government of the Russian Federation has existed in the centre of Moscow for a long time and that this security department made up of up to 5,000 men was directly subordinate to the Speaker of Parliament.

■ The finale to these scandals was deputy Volsky's statement at the end of the parliament's meeting to the effect that Speaker Khasbulatov was drunk.

Referring to the doctor who attended to the Speaker, the press centre of the Russian parliament stated: "After a one and a half hour meeting with journalists Ruslan Khasbulatov became indisposed. The doctor recorded blood pressure of up to 180 and 110 mm, accompanied by weakness, pallor and headache. After medical treatment his blood pressure dropped a little. Khasbulatov is under the doctor's supervision."

■ In response to the parliament's decision to decline his request to postpone the sixth Congress of People's Deputies President Yeltsin remarked: "I will not forget this." He convened a meeting of key figures in the Russian government at the Staro-Ogarevo residence near Moscow. It is expected they were discussing possible actions in connection with the parliament's decision to hold the sixth congress as planned.

■ One of the possible actions was proposed at a meeting of the Political Council of the Movement for Democratic Reforms by its Chairman Gavriil Popov, who came out with the idea of introducing presidential rule for "a transition period." Popov also called for an early holding of a constituent assembly that would adopt a new Constitution and form "a government of constructive forces."

■ The Defence Ministry board examined the question of suspending the evacuation of Russian troops and Baltic Fleet units from Baltic states because appropriate living conditions have not been created for them.

A total of 40,000 servicemen and their families have to be withdrawn from Baltic states. In the military districts, to which these troops are to be moved, the number of servicemen without flats reaches almost 20,000. However, not only housing but also public amenities and services are needed for a decent life.

Russian troops in Baltic garrisons. Their homecoming is put off

Nevertheless, Baltic state offi-

cials are conducting a tough policy of driving Russian troops out of their territories.

■ The political situation has again sharply aggravated in Tajikistan. The conflict began with the seizure of key buildings in Dushanbe, the capital of the republic, by armed groups of rebels (supporters of recently deposed President Rakhmon Nabiyev) based in the Kulyab Region. Armed groups of Islamists and the Democratic Party managed to knock the Nabiyev supporters out of those buildings. However, the situation in Dushanbe and around it remains unstable. Fighting continues in the city. Safarali Kendjayev, a former leader who is considered a supporter of Nabiyev, began negotiations with President Akbarsho Iskanderov, who was removed by the Kulyab rebels from power.

Russian troops maintain neutrality. They control the airport and railway station for the possible evacuation of Russians or the arrival of reinforcements. The population is against the withdrawal of Russian troops from the region. The people see their only salvation in the presence of Russian garrisons. The foreign ministry of Russia came out for an early evacuation of Russian-speaking citizens. The US embassy has already left Dushanbe.

■ Experimental exercises of the Russian army's anti-aircraft defence means were held at the Emba state firing ground in the Kazakh steppe. The aim of the exercises is to appraise the effectiveness of modern anti-aircraft defence technology of the land forces in the repulsion of ballistic land cruise missiles including high-accuracy weapons and remote-controlled flying vehicles.

Testing missiles in the steppes of Kazakhstan

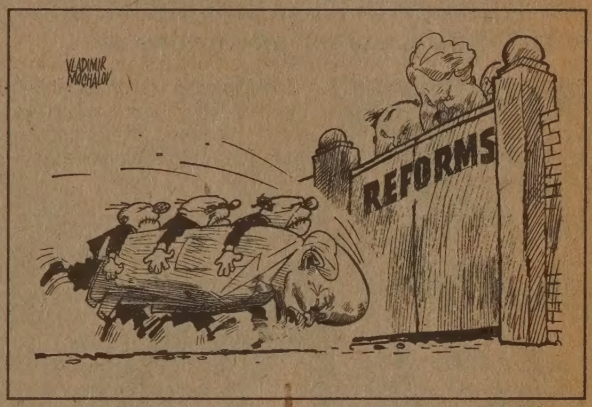
What are the results of the exercises? During the Gulf war allied troops fired three to four Patriot missiles and Israel six to eight missiles for hitting a single target. The Russian systems S-300V, Buk-MI, Tor and Osa strike their target with one missile.

■ Both chambers of the Russian parliament approved the decision on the Izvesia Publishing House. Under this decision the Publishing House is turned over to the Russian Federation as a legal successor to the USSR and the Russian parliament becomes its founder. The Presidium of the parliament was requested to approve the charter and appoint the director of the Publishing House.

■ The Ukrainian military command categorically protested against the appointment of Vice-Admiral Svetashov to the post of Chief of Staff of the Black Sea Fleet. Ukraine's Defence Minister Morozov said the appointment was made without Kiev's consent and that he would not allow Svetashov to commence performing his duties.

■ The Independent Sociological Institute of Parliamentarianism conducted a poll among 1,000 Muscovites. The question asked: "Let's assume there is a future life. Where do you expect to go – into inferno or paradise?" As many as 21 percent replied they hope to go to paradise, 20 percent are prepared to accept the torments of inferno, and 59 percent of respondents are at the crossroads between paradise and inferno, because they found it difficult to reply definitely.

CARTOON OF THE WEEK



Drawing by Vladimir Mochalov

■ A used stage of a missile carrier launched from the Baikonur cosmodrome fell straight on a plot of land of Kazakh farmer Ibragim Baibolov. The "space guest" caused no bodily harm to the farmer or his family but completely destroyed his wheat harvest. Baibolov said that the space authorities would have to compensate for the damage which he estimated at more than two million rubles. Specialists of the Republican Board of Economic and Biological Resources said the farmer's demand was justified and advised the Space Agency to meet it fully.

■ President Yeltsin signed a law on protection of the constitutional bodies of authority in the Russian Federation. The law, which was published and immediately came into force, says that no one shall have the right to appropriate the powers of the constitutional bodies of authority. Amendments being introduced in the Criminal Code now envisage measures of punishment for public appeals to seize power and equally for the distribution of materials containing such appeals. For actions of this kind a person can be imprisoned for up to three years or obliged to pay a fine equalling 30 minimal wages. Thus, numerous calls for the overthrow of the government and the President have now been outlawed.

Quotation of the week

"The words from the Bible – 'the abomination of desolation in the holy place' – are most suited to what I see, hear and feel in Russia today... Only the blind do not see the spiritual and physical suffering of millions of ordinary Russians."

Olga Kulikovskaya-Romanova,
Chairperson of the Charitable Fund of Her Highness Great Princess Olga Alexandrovna

Praise for isolationism

Russia needn't mourn the bygone Union. The disintegration has brought her opportunities, which must be taken advantage of

Independent Russia – the choice of a new generation

"He who owns Eastern Europe controls the heartland. He who owns the heartland controls the 'world island.' He who owns the 'world island' controls the entire world." This is one of the versions of the famous geopolitical scheme suggested by Mackinder and published as early as 1919. Mackinder's "heartland" is the place where Europe and Asia meet, i.e., the actual territory of present-day Russia. The "world island" in his scheme of things is Eurasia and Africa. Elements of this scheme are still used in political models whose extremely sophisticated forms teach politicians how to use a country's geographic position most advantageously or how to offset geographical disadvantages.

More advantages than disadvantages

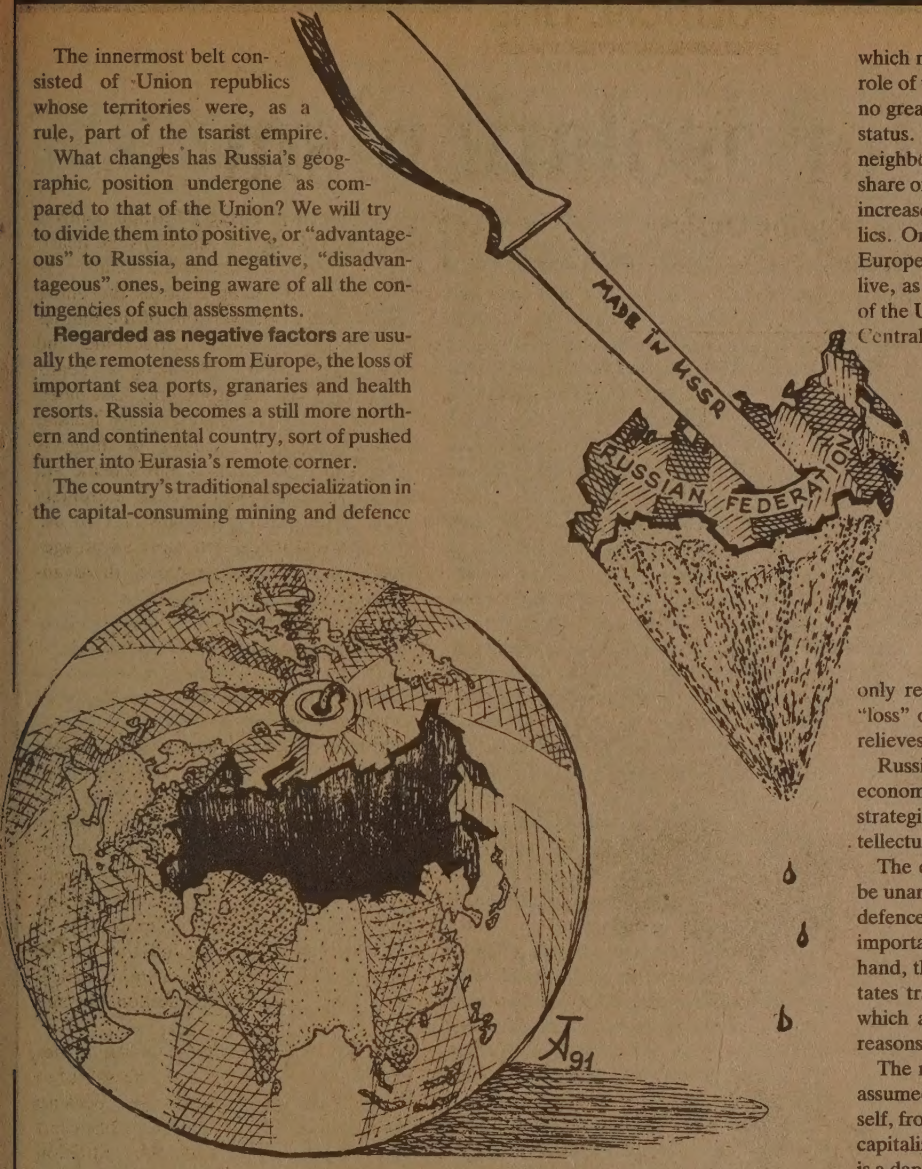
Functionally, Russia is no longer a great power. Being sort of pushed back to her position in the late 18th century as to territory and to her position in the early 20th century as to her population, Russia remains the largest country territorially and the world's sixth country as to population (after China, India, USA, Indonesia and Brazil). Her economic potential is comparable to Germany's although it's far behind that of the USA and Japan. Her grandeur, in the historical and cultural sense, remains unquestionable and irrefutable.

And if Russia acts like a great power in her actual policies, this is not because she wants to decide the destinies of the world, but because the events which take place on her territory exert a considerable influence on the situation throughout the whole world. From a geopolitical extravert, shaping and reshaping the world around her, Russia has turned into a geopolitical introvert, with the nature and the scale of internal problems she is facing leaving no doubt that the changes taking place in her are long-term ones.

Russia's three external geopolitical shells have disappeared.

The first is purely outer, extremely heterogenous and includes both developing countries in the Soviet sphere of influence and the most remote from the USSR (geographically and politically) communist countries (China, Cuba, Yugoslavia), as well as Finland, the most "eastern" of western countries which has closely cooperated with the USSR.

The second zone was made up of the neighbouring satellites, the ex-communist countries.



The innermost belt consisted of Union republics whose territories were, as a rule, part of the tsarist empire.

What changes has Russia's geographic position undergone as compared to that of the Union? We will try to divide them into positive, or "advantageous" to Russia, and negative, "disadvantageous" ones, being aware of all the contingencies of such assessments.

Regarded as negative factors are usually the remoteness from Europe, the loss of important sea ports, granaries and health resorts. Russia becomes a still more northern and continental country, sort of pushed further into Eurasia's remote corner.

The country's traditional specialization in the capital-consuming mining and defence industries is further enhanced, while there are shortages of consumer goods. The well-established defence system at part of the country's border is lost, with new borders more often than not lacking the protective natural barriers.

An exclave has appeared, the Kaliningrad Region, separated from Russia by Belarus and Lithuania. The system of "protective belts" on Russia's borders has been replaced by belts of tension. Ethno-territorial conflicts in these hot-spot zones tend to spread onto Russian territory through the still practically open border. Russia faces new dilemmas concerning her minorities in newly-born neighbouring states, refugees and the troops returning home.

The Cold War defeat, the disintegration of the Union and the loss of the status of a great power painfully wound the national pride and foster a revanchist tendency, not to mention the economic damage due to a rupture of traditional economic ties.

For all Russia's numerous military victories which turned out to be Pirrhic ones, her defeat in the Cold War is unquestionable. However, it gives her a unique chance to revise her relations with the world. In particular, the threat of a military confrontation with the West has never been so insignificant.

Positive is also the fact that Russia has retained access to all the seas the USSR had exits to, as well as contacts with all the Union's neighbours among advanced countries (the USA, Japan, Finland, Norway), which means that she has also retained the role of the Eurasian transit bridge. There is no great loss in the nature of her European status. The general number of her neighbours has remained the same, and the share of her European neighbours has even increased at the expense of ex-Soviet republics. One fourth of Russian territory is in Europe, where 70 percent of her population live, as compared to 65 percent in the case of the USSR, where the contribution of the Central Asian republics to the all-round balance was rather large.

Generally speaking, all talks about "losses" are incorrect, because the Union belonged not to Russia alone and collapsed not without her participation. Losing much, as well as other republics do, she gains a lot too. For instance, independence – and she was less independent in the USSR than other republics. Haven't the patriots grieved precisely over this circumstance only recently? And isn't it clear that the "loss" of the USSR's less developed parts relieves Russia of a lot of costly duties?

Russia has inherited the greater part of economic potential, currency reserves, strategic resources, high technology and intellectual potential.

The openness of ground borders cannot be unambiguously assessed. It weakens the defence system, but in the missile era their importance is not so great. On the other hand, the absence of natural barriers facilitates transport relations with old partners which all of them still need for objective reasons.

The main danger stems not from real or assumed losses, but rather from Russia herself, from our inability and unwillingness to capitalize on newly arisen advantages. This is a danger not only to Russia's neighbours, but first of all to Russia herself. The whole course of events largely depends on her domestic and foreign policy, her understanding of her own national interests and on the ability to defend them. In particular, the role and behaviour of the Russian diaspora in the near and remote foreign countries are directly influenced by the progress or curtailment of reforms in Russia and by the successes or failures of the negotiating process.

The Atlanticists and the Eurasianists

A great many overall models or geopolitical scenarios of Russia's further development have been proposed. All of them fall between two extremes.

The "super-Atlantic" model provides for the greatest possible integration with the West, especially as far as its opposition to the Islamic world and the South in general (developing countries) is concerned. Such scenarios came into being during the USSR-supported taming of Iraq. There were talks about something like a "bigger NATO" integrating the Northern Hemisphere from Vancouver to Vladivostok. Many believed that the incorporation of all ex-Union republics into the CSCE process was the beginning of the implementation of this scenario. However, the enthusiasm soon died out. Military-political coalitions are proper if there is a common dangerous enemy; apart form that, the idea of "super-Atlanticism" has no economic basis.

The very first conflicts betwen Russia and the USA concerning the weapons market and space technology for the Third World cooled down the ardour of geopoliticians on both sides. Nevertheless, this scenario can't be completely discarded, because one can't rule out the possibility of an acute escalation of global conflicts betwen the North and the South in which the stance taken by Russia and other large CIS countries would become crucial. Certainly, this scenario requires that at least a moderate pro-Western orientation in Russia's foreign policy be preserved. It will become absolutely unrealistic if this orientation is rejected in favour of national patriotism or a vulgar Eurasianism.

The "imperial Eurasian" scenario is essentially revanchist. Organically present in the programmes of the Russian extreme right, this model contains nothing new from either geographical or political points of view. Its geographic implication is to "bring back" first the Union and then the "renegade" socialist friends from the Elbe to the Mekong River.

This can be accomplished only by force, which means that first of all a strong Russia is needed, ruled by a strong hand. Seductive as its "glorious" final goal may be to some, this programme is silent about how much it will cost Russia. However, the losses are not so difficult to foresee. First, domestic victims of a new totalitarianism. Second, an all out civil war of a Yugoslav type, only on a much larger scale.

In the case of a failure Russia would find herself isolated and boycotted once again, a new *cordon sanitaire* would appear (for instance, a Baltic-Black Sea one) which instead of being purely hypothetic would quickly become a real buffer zone. And if a bloody victory is reached, a Third World War would be unavoidable. However, it's much more likely that the end would come at a much earlier stage.

There are many intermediary scenarios between these two extreme ones, combining elements of the principally different models. Let's outline at least one of them which we will tentatively call **"Eurasian anti-imperialist."**

It's self-evident that the disintegration of the Union hasn't erased Eurasia, nor has it done away with Russia's intermediary position on that continent. It's also clear that immediate neighbours are always of primary importance to a mainland country such as ours, with many neighbours whose historical destinies are closely interlaced. In fact, we can't do without each other, which doesn't at all mean that we're doomed to live in a union, a commonwealth or in any other kind of a closed community.

A multilateral integration may fail, and we must be ready for such developments, all the more so because Russia is free to leave the CIS too (thus finally sending it to its grave). We must also be ready for our partners' participation in various other alliances, European and Asian. By the way, this needn't be only alliances between countries. Why not between separate regions of countries? Isn't it so difficult to imagine integration of south-eastern Kazakhstan and the neighbouring regions of China or the former's north-western regions integrating with our Urals and Volga regions? In Russia herself, the Sakhalin Island and the Kaliningrad region are obviously oriented towards different foreign partners...

Incidentally, precisely the lax and mutually convenient economic relations between imperial nations and their colonies were one of the major reasons for the instability of empires. So is it worth the pain of reviving mutual privileges in relations between CIS countries?

Russia is interested in the greatest possible competition between American, European and Japanese investors and technologies on all of her territory. Only this will allow us to fully take advantage of our geopolitical position between these largest world centres.

A family without a Big Brother

The concept of Russia as the only successor to the Soviet Union and the Russian Empire is hopelessly outdated. Equally inconsistent are the great-power ambitions which incorporate nearly the entire world into Russia's sphere of interest. This means, in particular, that the USSR Strategic Navy is a back-breaking and unnecessary burden to Russia. More so, non-imperial Russia has no more functions or duties as elder brother in an Orthodox, Christian, Slavonic or socialist family, which were rather illusory anyway.

The sharp worsening of the situation on and near Russian borders muffles Russia's special interests in the ethnically and confessionally kindred Balkans, in Transcaucasia and in Central Asia. Less remote territories are taking their place – Russia now has her own Balkans in Moldova with her Dniester Region and the Gagauz Republic, her own Caucasus, i.e., the North Caucasus, and her own internal Islamic fundamentalism.

Every cloud has a silver lining. Having divorced with her sisters, the Union republics, Russia has reduced her involvement in the Moldovan, Armenian-Azerbaijani, Georgian and Central Asian conflicts and territorial disputes which tore the Union apart before it finally collapsed.

At the same time, Russia has lost many thousand kilometres of duly established, well-equipped and internationally recognized border. Therefore the soonest possible conclusion of peace treaties and agreements on state borders must become a priority task in Russia's foreign policy. Given the situation, it's best to withdraw all territorial claims and threats, if not out of lofty principles, then at least out of an elementary sense of self-preservation.

After the disintegration of the USSR Russia was burdened with concern about 25 million Russians and 3 million people belonging to her other ethnic groups abroad. More than that, about all the 47.5 million Russophones in other republics.

Every person regardless of whence and whither he has to flee, is struck by the tragedy of losing his Motherland. Even in normal conditions, mass migrations cause tremendous social and economic damage to the nation.

The only way out is to deter by all means possible the already growing process of ethnic migration whose scale approaches one million in Russia. This is possible only by concluding the correspondent inter-republican agreements on mutual obligations regarding ethnic minorities and by toughening sanctions for human rights violations.

It looks like a solution to the extremely complicated ethnic problems facing the former USSR would best take the form of a cultural rather than territorial autonomy. It's impossible not to regard as provocative the appeals to recognize the independence of national autonomies in neighbouring republics (especially when their possible incorporation into Russia is implied). Apart from that, ethnic separatism is undesirable to minorities themselves, because it inevitably leads to more bloodshed.

Nikolai Petrov,
Andrei Treivish

It's hard to stand aside

Are we "ahead" of Russia, or are they "ahead" of us? – reflects a young American who has lived in Russia for some time

Tami Reneé Wrye, a 24-year-old American, graduate of Westmont College, Santa Barbara, California; currently completing a graduate course in teaching. When in Moscow, she worked in a dining-room organized by a number of American charitable foundations. Her father is Director of the Anglo-American School of Moscow and her mother is a teacher in the same school

I work in a charity *stolovaya* on Mondays and Tuesdays. I bring trays of soup and rice and boiled fruit juice to elderly men and women who show me a pass with a cross and a number on it. I clean the tables and I sometimes sit down and try to communicate to them. When the *stolovaya* is closed, I walk to Metro Station "University" and I speed down into the ground, living for a few minutes in solemn silence with the Russians. We stare at each other across the traincars, and then we suddenly explode out into the cavernous halls and out into the blinding light.

I am an American in Moscow. I see a lot, but I am constantly corrected by new and more educated information. To me, Russia seems to be caught in a speeding metro train, with nowhere to stop and rest. It is hard to stand aside and watch this happen, knowing that my place is not to instruct. The political and economic changes are daily, and this is not news. But the crisis that looms underneath these changes is misunderstood by most foreigners, myself included.

However, something does loom; I can feel it everywhere. It is a loss of structure: it appears in the ever rising crime rate, the starving older population, the rise of mini-mafias in the taxi trade, clothing trade, even the car-washing trade; the fear felt everywhere about an uncertain future. This fear, especially, is made worse by the absence of the varied traditions drowned by Communism and the subsequent drowning of Communism. I think this looming crisis, building like a nuclear bubble underground, will arise as a two-edged sword, in a Russian crowdlike scramble for the materials of Western life and in a tough period where existing values and laws must fall and be re-established.

Inside this train of change, there sits a nation of people who allowed their heritage and their moral structure to be replaced by an equalizing machine. I believe that they allowed this with a strong belief in a promise made by the Bolshevik government. The Communist leaders insisted that they would be a father to all, making Russia a true and fearless community; a family reaching from Europe to Japan. Intellectuals and powerful voices like the writer Gorky, even whilst witnessing the suspension of basic rights, pushed the new ideologies and promises out into the massive Russian crowds. Of course the world would become as they were – we need family, the more equal and larger the better – there is innate power in religious numbers, people bound together by a belief in the Family. I've heard and read here numerous times that the Communist government worked like a massive mafia. The tragedy that I see around me in the streets of Moscow is defined to me by a belief that "equality" and "same" are not synonims. "Same" is all a large bureaucracy can give – everyday, I forget that there are other cars besides Ladas and Zhigulees and Volgas (although it is rumored that foreign cars are pouring into Moscow daily). Everyday I notice some tracks of this sameness – all the soap in Russia comes from a single factory somewhere, the jean labels are the same, it is easy to get lost in a maze of apartment buildings which possess the same playgrounds and the same doors and elevators.

How did this varied and vibrant people end up on a speeding train, no control in their hands and for many, little hope these days that the family will feed them tomorrow? If you look back into time through books and visit the museums from a buried age, you see the thousands of regional costumes, the varied traditions of weddings and burials and births, the large twenty-legged tables crowded with a spread of strawberry vodka, *varenies*, elegant *zakuskis*. Today a Russian couple gets married in the Wedding Palace, an institutionalized version of Las Vegas. Couples go through a civil ceremony walking to a waltz, and immediately move to a room where a video of their ceremony is viewed. Meanwhile, one can hear the same process repeated in the former room by the next couple in line. Did the Russian people lose community and the values that come with it when they set out to use the State as an equalizer? What has happened to the people of Russia between 1917 and 1992?

The elederly that I speak to in the *stolovayas* have singed memories of work-camps and the heavy taste of war and loss in their mouths. They seem subdued, accustomed to fear and survival especially during the economic earthquakes since *perestroika*. To me, they seem silent. This is a great loss to any nation and a great sadness, for the old are the only members of a society who are qualified to speak to the young about the true values which can build a strong, vibrant society. Russia seems to be starting over.

The hope I find is when I make my way out to the Russian countryside and I sit with friends around a makeshift campfire in a washing tub and roast chicken over the dancing flames, discussing values and fears with a Russian father and daughter. I begin to realize that Russians are not silent within the confines of their skulls. They know they were lied to. In my foolishness, I ask: "Then why didn't you say anything?" Large eyes in a roughened Slavic face look closely at me in that soul-searching Russian way, and the pursed mouth says: "Fear." They were kept silent by fear and not neccessarily by simple acquiescence as we tend to think in the West. We see Russia as brainwashed because we do not understand fear. Americans have never had a dictator or been invaded.

Russians understand fear and surival. Their communal memory, albeit damaged by seventy years of enforced silence, is much older and wiser than the American communal memory. To me America seems like a playground full of optimistic children next to these old Russians.

The Russian people are now beginning to evaluate their ideals and values and they understand very well the underhanded destruction of silence. Silence and the shelving of individual responsibility to freedom, "letting someone else take care of it" creates a vacuum of power in society that can be taken up, unchecked, by any pair of powerful hands. For Americans, I pose a question: Are we "ahead" of Russia, or are they "ahead" of us?

Tami Reneé Wrye

The trial of the party that was the government

May the Constitutional Court summon the former General-Secretary to its hearings? Yes, it may.

Ought the Constitutional Court to have summoned the ex-President to its hearings as witness? No, it ought not.

In these circumstances for the Court to conduct hearings with Gorbachev answering questions put, when the two opposing sides are equally interested, obviously or not, consciously or not, rather in vengeance, than in the truth, is pregnant with humiliation.

The verdict has already been handed out, at this trial we are all experts, witnesses, victims, participants and judges

Gorbachev at the hearings

May the Constitutional Court, as guarantor of statehood, to wit the pillars, the traditions and the authority, permit that? No it may not.

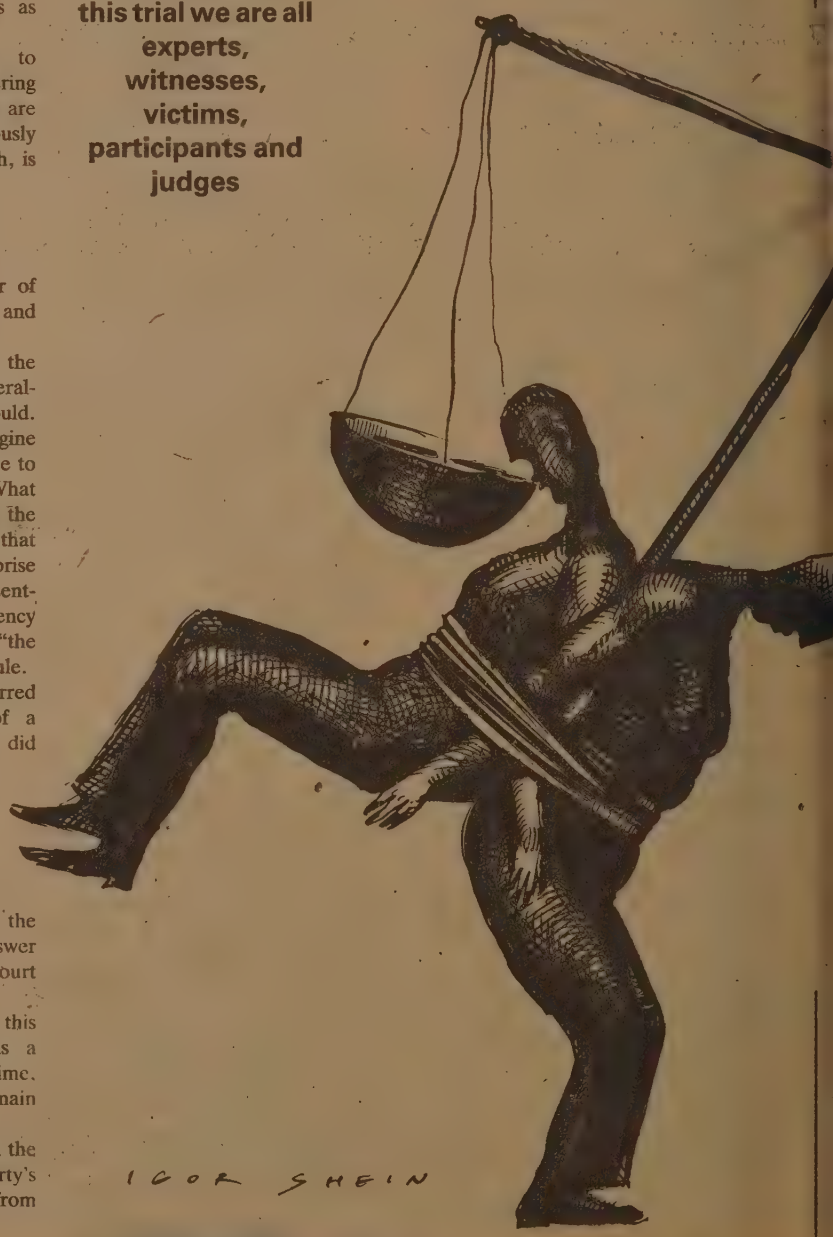
Could the Constitutional Court obtain the information required from the former General-Secretary without that procedure? It could. Incidentally, one would be hard put to imagine a witness worse than Gorbachev, not only due to his habitual dislike of brevity and clarity. What sort of a witness he, when by definition he is the Number One participant in the processes that took place over recent years and that comprise an entire era, culminating into the two present-day trials, one of the State Emergency Committee, the ruling elite, and the other "the Trial of the Party," which was itself that rule.

His opponents aver that he was an ill-starred demiurge, a demiurge who arose out of a misunderstanding, insofar as he supposedly did not know what he was doing or did not plan what he did. Be that even so, he initiated this historical process and it was under him that this process became irreversible. Meanwhile a demiurge is never summoned as witness.

Can the ex-President, who proclaimed the "civil society" and "law-governed state," answer in the negative to the Constitutional Court without losing face? Not at all.

So why "hide" from this Court, why avoid this rostrum? A politician of such scope has a commitment to what was done in his time, indeed to his own image, if you please. The main thing is that he has what to say.

Thus he could say: "Well, I tried to reform the Party, I tried to reform society with the Party's assistance, and I tried to separate the State from



the Party. Let history note where we were successful and where we lost. Whatever the case we jerked society of its state of inertia. This was an on-going process. If despite my genetic link with the Party and with Socialism, I, as politician and realist, was compelled at the close of my career to rupture the Party's umbilical cord, that, however painful it may sound, shows only that under Reformation there are no old roads to the future."

Hopefully Gorbachev will yet come to his senses, rid himself drop by drop of his emperor mentality and abandon the totally unnecessary controversy with the Constitutional Court.

Yet may the Constitutional Court wax angry, rattle handcuffs and encourage such moves as that of declaring the country's first President a foreigner *non grata*, without relinquishing its basic asset, its own dignity? No it cannot.

Generally speaking, what eventualized was what always eventualizes with us.

The intent was wonderful, but all have been mocked. Now we hear people wonder why the reform is not proceeding, why the wished-for market is inevitably degenerating into a flee market. Hadn't the best souls of the two regimes got together? However, in the upshot, there is nothing but a squabble, be it even at the top.

Two trials of the century simultaneously

How interesting. Two trials of the century are taking place, trials that one could not have even dreemed about over the past 70 years, as one could have been tried for that alone. However nobody seems interested. Until egocentric Gorbachev stole the limelight, true most unsuccessfully so. However, let us leave Gorbachev alone.

Why is the audience, the entire country for that matter, so indifferent? Do they care nothing for their lot? Or has our life changed so much so over the past year?

The trial of the Party is frankly boring. Summoned lately as witnesses were top Party stars, such as Ryzhkov and Ligachev. Of course, they are ex-stars, but even ex-stars should shed some light, shouldn't they? But all one feels is the gnawing pain, that these men settled everything for us, how we should live, how we should work, what we should eat, and even what we should drink or not. What right did they have to do so? They all say the Party gave them that right. Nothing else is really needed to pronounce the verdict.

Indeed, if over its 70 years of undivided sway the Party failed to produce a single person, who could at least convincingly or with some charisma champion it, then perhaps it should not have been outlawed at all. At any rate, it is absolutely unnecessary to revive it or seek to bring it back from oblivion.

The entire arsenal of the Party's advocates is comprised of two trite banalities. Before the Party was indeed villainous, committed crimes, and replaced the state, but in the past two or three years or more, it has changed, it is claimed, but now it has been banned.

A very fragile argument. The presidential party argues that the Party's purging over the past few years is highly questionable. An extremely ambiguous argument suggests that the Presidential edict is much belated, that had it been issued much earlier, it would have been more timely and fair. But is this the matter to be argued with Yeltsin?

It is said that not the Party perpetrated the crimes, but its leaders, and that afflicted by the ban now are millions of rank-and-file members, with their spouses and near ones, that generally harassed is the sacrosanct idea of socialism and communism, to wit the sacrosanct dream of equality. For some reason only *apparatchik* leaders trot out this argument.

However monolithic the Communist Party may have said it was, from the very outset it incorporated several parties.

Thus there was the Party of Power, the Party that was simultaneously the Government, as was inferred when it was stated that "The Party has resolved" or "The Party and the Government have decided." That was a Party built on a table of ranks with all aware of their place. This included the *Vozhd*, the top leader, and his retinue, some twenty or thirty members of the Politburo and the Secretariat, and several hundred smaller *vozhds* of regional scale.

The many parties of the CPSU

The Party of Power was enclosed and reinforced by the Party of Demagogy consisting of tens of thousands of people obligated to observe the authority and the secret, to wit the secret of the dictatorial absolutism of the Party of Power, plus the authority of a certain definite organization undetachable from the people that saw everything and knew everything, personified every aspiration, protected the people, and led the people to paradise via a short cut.

Then came the Party of Apathy and Obedience, comprised of the millions of voiceless rank and file.

For that matter all others not in the party, let alone the Komsomol, the Young Pioneers and the Octobrites, were also members of the Party without Choice. Thus there inevitably emerged at the sham elections the "Unbreakable Bloc of Communists and Non-party People," that thus blocked every opportunity for change, which was impossible from below.

"The People and the Party Are One!" Sad to say that was not an absolute untruth. By means of sundry belts and bonds the Party firmly reined the entire people. In this sense there is no member of our society who would not be guilty, except for the dissidents. The responsibility borne differs, but even the Party of Apathy is accountable. However, unlike the narrow *coterie* of the Party of Power and the Party of Demagogy, that is moral accountability to oneself, above all for the tacit silence.

When the CPSU's advocates at the Constitutional Court hearings say they want to be the Party's legatees, that is inane, absurd. What does it mean — to inherit the idea of a bright future? That is absolutely allowable. Or to inherit the property, the structure, the organization,

Today Gorbachev is a *refusenik*, while his Foundation has been evicted *ITAR-TASS photo*

the function? That would amount to one more encroachment on society's freedom.

Indeed, to inherit the idea without rejecting the actually existing organization is out of question, inasmuch as within the actually existing organization the idea of socialism and communism was no more than an alluring sham. The idealism of the common folk was abused right and left. Truth to tell how much communism did Kaganovich, Molotov, Zhdanov, Romanov, Ligachev or Polozkov ever build?

Can one inherit the idea of socialism without inheriting the guilt for its practical implementation, as everything implemented in this land without exception, with which the CPSU and its numerous brothers and sisters were concerned, led to crime and eventually to collapse?

Socialism and communism were a sheer hoax. The actual idea upon which the Party was built was that of power.

The great proletarian poet spoke not quite to the point. He said the Party and Power were twin sisters. Actually we say the Party but mean Power.

Tortoise as Achilles

When one inspects the faces of the once VIP witnesses and listens to the naive arguments they trot out, one sees how much they have lost and also how much society has gained by having shaken off the need to listen to what they say outside of courtroom. In unison they curse *perestroika* and not so much Yeltsin, who authored the edict under discussion, as Gorbachev, whom they cannot forgive for their being out in the cold today.

Gorbachev indeed transferred the pivot of power from the Party's structures to the presidential structures. He is indeed still more to blame for having at Alexander Yakovlev's prompting let out of the bottle the genie of *glasnost* which unveiled the secret and downgraded the Party's authority. In the times of *perestroika* nonentities of the first magnitude in the Party apparatus were replaced by nonentities of the second and third magnitudes. The matter is not one of the personalities of the new secretaries or Politburo members. It was power as one will remember that imparted magnitude to nonentities unable to speak or write coherently, or at times even read properly from a piece of paper. The greater the level of power, the greater the magnitude imparted to the nonentity.

Old-timers remembers how the unlamented Mikhail Suslov rode around in his terrifying black limousine at 40 km. p.h. as if venturing out his last voyage each time. However, as all traffic was automatically halted, he was taken as the hallmark limiting the speed at which society was permitted to move. The tortoise, became the Achilles, with the Iron Heel supposedly disciplining society becoming an Achilles' heel.

No decisions apart from those the Party of Power in the CPSU, that areopagus of nonentities of the first magnitude took, were conceivable. Which led to society's defeat, not in the Cold War, which thank God, we lost regrettably at such expense and so late, but in paralysis of anti-development. We lost all conceivable races, whether cognition, education, technology, habitat creativity or innovation. Though the crisis that has beset us over the past year (and past few years) lends itself to new explanations and motivations, underlying it all is that this present generation of Soviet people has had the rare good luck to experience the highest and hopefully last phase of socialism, for which we are footing the entire bill.

Our Party was not at all a party, that is part of something, a social force. It was the whole, the state within the state, the very state itself, the presidential advocates demonstrate. Meanwhile the CPSU's advocates deny that. However, their heroic attempts get nowhere. All of state authority was formed by passing the Party's sieve. The accidental showwindow examples of a "non-Party Jew," featured prominently as a laboratory head or a vice-director for science, plus the generous right to play chess or the violin, by no means atoned for the original sin of the partyness of power. In that respect the hopes of the powers-that-were were something of an exageration, inasmuch as the last non-Party Jew enjoying a certain amount of success in that respect, even then not fully, was Jesus Christ.

Yeltsin commands the sun to set

The Party served as the frame of the system of self-power. Decisions taken for the entire country were issued as resolutions of the ruling elite of the Party of Power ("In the CPSU Central Committee"), were worded as Party and State ("In the CPSU Central Committee, the USSR Council of Ministers and the Presidium of the USSR Supreme Soviet") and framed as purely state ordinances; yet though they assumed the wording of law they did not become law in the universally accepted democratic sense, but only within the limitations of the totalitarian system's specific legitimacy.

Was there ever a case for a state body to spurn a Party decision? The Party had so many opportunities to eschew a system so pregnant with application of force to society, before the present edict and the present trial. But it never availed itself of a single opportunity thereto.

I am not an enthusiastic admirer of President Yeltsin's decree-creating activity, as apparently not all of them were drafted in the celestial offices on high. Yet the edict

concerned with the CPSU has clearly put paid to an entire epoch. It is claimed that Yeltsin acted as the autocrat. I would say rather as the king of the planet in *The Little Prince* who commanded the sun, but in a most rational way. Thus at dawn he commanded the sun to rise, at evening, to set. When Yeltsin signed his decree, the Party was dead. As an organization of the communist idea, it was dead if not at birth, then at least in 1917 or 1937. The Democrats had nothing to do with it. It was murdered by the Bolsheviks or by Stalin. By August 1991 it was as an organization of power again dead, for which reason all the motions of the high-ranking "putschists" resembled those of the zombie.

The edict the Court is examining from the angle of its constitutionality, only served to bury the body and enable the millions of members of the Party of Apathy to repent.

It is arguable whether Gorbachev should have been summoned to appear before the Constitutional Court, or not. What is odd though that not summoned at all were the current inhabitants of the Matrosskaya Tishina prison, as no more consistent and resolute champions of the Cause of the Party, of that system of selfpower which the Party had created, could be found in this country. In fact the "putsch" was a desperate attempt to salvage it. They are not to blame for its having failed.

The best witnesses are in the Matrosskaya Tishina prison

By the by the metamorphosis they have undergone is supremely characteristic of the Party's own metamorphosis. At the height of their Party careers, Kryuchkov was a Politburo member, while Yazov and Lukianov were alternate members, Yanaev was a Central Committee Secretary and a Politburo member, and Baklanov a Central Committee Secretary. On Gorbachev's motion they quitted these posts virtually overnight, without visible regret, as they continued to discharge the functions of KGB head, Defence Ministry chief, Supreme Soviet Speaker, and Vice-President. In fact, they enjoyed even more power and on such terms stood behind Gorbachev. To the dickens with the Party! After all, they had the power!

But by August 19, 1991, they realized that they were losing not just their titles but power itself.

Today they aver: what reason did they have to plot when they were at the helm. How could they be regarded as criminals when they were the power. However, they were losing the reins of power; they could no longer control the developments. The process of society's liberation from the system of totalitarian self-power gained headway.

The "power putschists" still argue that in August 1991 they had been right and had acted quite lawfully, although it is absolutely obvious that by ousting the President, lying to the people, and moving tanks into the streets to frighten society, they had indeed fully controvened the law, except for one. They had acted in the name of and for the sake of that system of self-power in accordance with the sole law it recongized, whatever laws or constitutions it may have proclaimed for the public.

It is both funny and sad to see that, notwithstanding, their mentality fails to change. Judging by their countless epistles, "from dungeon dire," even from the Matrosskaya Tishina prison they still feel the need to govern us, to issue directives, to lead us. Truly a "government in prison," which incidentally I adopted as the heading for one of my articles.

History sarcastically grins when one speaks of "a government in prison" as the mirror image of "criminals in power." For too long we had in this country of ours a situation when power itself was criminal, as it was divorced from the people. The Party served as the implement of this crime.

Hence the edict the President issued in that democratic month of August 1991 has put paid to this chapter of our history.

Vladimir Kryuchkov, full face and profile, for the dossier

Mutations and permutations

Even those standing forth as witnesses or fans in the Constitutional Court, people like Tsyuganov, seek to travel the road from the Party to Power. When the ruling Party was in its decline, he meteorically rose from a deputy chief to full membership in the Politburo, true of a different, Russian Party. But what difference does that make? They allied themselves with the "putsch" only later on, at a safe distance, ideologically and morally. However, they are manifestly distancing themselves from the Party. This is now pointless as they have come up with a better idea.

The internationalists have become nationalists, the Bolsheviks, populists. Mutations and permutations. Tsyuganov proudly asserts that the people want to unite, but with such incoherent language he would do better not to attempt to don the toga of a popular orator.

Is this merely a mutation and nothing more? Scarcely. It is all extremely organic. We had partyness before. Now we have folkness. Always implied though was autocracy.

Incidentally, could we imagine Kryuchkov being released and Tsyuganov inviting him to take a seat on the Politburo of the new organization styled the Russian Sobor? Never. The partyness may be shared, not the power.

Yet why does the public so quietly tolerate what is going on in the Constitutional Court?

That body has focussed on the juridical aspect, which will unquestionably benefit the future law-governed state. However, what really agitates people is politics. No wonder, despite Valery Zorkin's remarkable efforts, they regard this trial above all as embodying the historic "Case of the CPSU."

Though the judges are working hard, what they will eventually demonstrate is only what everyone considers absolutely obvious. They are hearing out some dozen experts and several dozen witnesses in respect of an issue as regards which every single citizen in the country is expert, witness, victim, participant and judge all rolled up in one.

Truth to tell, nobody is really interested in the verdict that either court pronounces, for the simple reason that the real verdict is already translated into an irreversible reality. Though the Constitutional Court may even curb the presidential edict, that will not resuscitate the Party. As for the State Emergency Committee case, the Court may set the magnificent eight free to go where they will, merely adding another eight OAPs to our new, but still unarranged world.

Generally, one feels sad. In Russia the poet is more than poet, the judge more than judge, and a party more than party. Only life is less than it should be. Nothing but one unending struggle.

Alexander Pumpyansky

"Arms" vs. arms

Dramatic events are underfoot in the international weapons market. They don't seem to fit into the parameters of a "post-confrontation" world. I mean the campaign the United States methodically wages against Russia's sale of weapons, military equipment and so-called "double-purpose technology." This primarily concerns the Russian supply of this kind of merchandise to the countries of the Third World, but not only there.

Everything began with a seemingly chance episode: Washington protested against the fulfilment of an earlier concluded deal, i.e. the sale of Russian cryogenic boosters for missiles which, strictly speaking, cannot be regarded as military equipment, to India. This happened last spring, and in autumn still more active American protest was aroused by the news of supplies of commercial nuclear reactors and three diesel submarines to Iran. A few days later, criticism was hailed at Russia's relations with one more large Asian country, China. According to the magazine *US News and World Report,* American officials' worry was caused by intelligence reports concerning nothing more than negotiations on the sale to the Chinese of "surplus" Russian ballistic missiles and strategic bombers named Backfire. One of those officials even hinted that Washington didn't so much object to the negotiations themselves as to the tendency it sees in them.

"The key topic in our recent dialogue with Russian leaders," says the anonymous diplomat,"is their selling of arms to third countries. We have reached only very insignificant progress here."

Certainly, the absence of significant progress in the discussion of a problem as important as this one is sufficient cause for disappointment, especially becuse it affects not only international commerce, but also global security. In this sphere, it's particularly important to reckon with the interests and needs of one's partner, because Russia needs incomes from sales of weapons no less than the USA. The loss of this income is no less dangerous to the Russian economy than to the American. Whereas, in the case of the United States, it would lead to the loss of a dominant position in the world economy, in the case of Russia the loss of income from the sales of weapons would result in a failure to implement its reforms plan: the transition to a market economy, strengthening of parliamentary democracy and integration into the world community.

It's hardly necessary to prove one more time the truth already proved in Eastern Europe that the more radical reforms, the harder they are to cope with and the more hardship they bring to the population, at least at the initial stages. However, sometimes a very dubious conclusion is arrived at on the basis of this truth, namely that of "Kuwaitization" of the Russian economy. It's claimed that an intensified exploitation of oil and gas deposits and other natural resources in cooperation with foreign capital will make reforms profitable for the population. This is only half-true, because Russia is not a Kuwait or even a Saudi Arabia, and raw materials and energy are only one of the two pillars that prop up the Russian economy, the other being the military industrial complex. Besides, there is a certain difference between these two. The oil industry is living through a period of an acute crisis. Experts say that, unlike the MIC which was duly taken care of in the bygone USSR, not less than five or six years are necesary for this industry to start yielding the required profit even if adaquate investments are made. The MIC is experiencing hard times as well, but it's capable of securing currency incomes in a much shorter time.

There may be objections to the weapons business on both political and moral grounds. Russia is usually reproached not so much for selling arms at all as for selling them to the wrong clients, from the point of view of NATO and the United States.

Leaving aside the subjective character of such criteria, it's worthwhile nevertheless to paraphrase a well-known dictum: rulers and regimes rise and fall while states and peoples stay. What's more, supplies of military equipment create levers of influence. There can be no doubt that Moscow will make use of them, being fully aware of the interests of its Western partners; in other words, it will help them, keeping countries of the Third World from extremism.

However, Russia has the right to believe that the West will be respectful of her needs, as well as of her political interests with regard to her neighbours, such as China, India and Iran, and of her economic interests as well. Nor should it be forgotten that as early as cold war times all "niches" on the world arms and military technologies market were distributed according to ideological principle. It's common knowledge that Russia, having inherited these "niches" from the collapsed USSR, rejected this principle for the sake of a reconciliation with the West. The same equally applies to, for instance, Czecho-Slovakia. This allowed the USA to dominate the world market in arms over recent years. American military supplies to developing countries alone have grown from $4 billion in 1986 to $14 billion in 1991. America acquires new clients in Eastern Europe: Hungary, Bulgaria, Latvia, Lithuania. The role of France as an arms supplier has also grown. Yet many countries, and not only developing ones, show growing interest in Russian arms, due to them being relatively cheap and easy-to-operate. Doesn't this account for Washington's invectives?

It seems time to start regulating the arms trade by means of mutually acceptable quotas and agreements, in order to prevent competition in this sphere from aggravating still further and impairing the integration of ex-socialist states into the world community. This would be the most effective means of fighting the uncontrolled spread of arms. It's impossible to wait for conversion to solve this problem.

Dmitry Volsky

DOSSIER

LAW OF THE RUSSIAN FEDERATION ON PROTECTION OF CONSUMER RIGHTS

(Continued from No. 43)

SECTION II. PROTECTION OF CONSUMER RIGHTS AGAINST UNFAIR TRADING

Article 17. Consequences of Selling Deficient Goods

1. The consumer who buys deficient goods, unless they were pointed at by the seller, shall have the right to demand at own choice:

a) a free-of-charge elimination of the deficiencies of goods or the restitution of expenses for the rectification of deficiencies by the consumer or a third party;

b) appropriate lowering of the price;

c) replacement by a commodity of a similar brand (model, article);

d) replacement by a similar commodity of a different brand (model, article) with the corresponding recalculation of the price;

e) dissolution of agreement and restitution of damages. As regards the goods that are sold via retail second-hand trade outlets, the consumer's claims under subitems "a" and "b" of Item 1 of this Article shall be satisfied with the seller's consent.

2. Claims under Item 1 of this Article shall be made at the consumer's choice at the place where the purchase is made or at the consumer's domicile. These claims at the consumer's domicile shall be met by the seller-established trading enterprises that sell goods similar to those bought by the consumer or by trading enterprises that perform these functions under the agreement. The seller and the producer shall inform the consumer of the enterprises that meet claims under Items 1 and 3 of this Article at the consumer's domicile (or enterprises performing their functions). In case they do not furnish this information, they are liable under Article 10 of this Law. The commodity producer shall reimburse the trading enterprise that did not produce the goods for all the expenses incurred in connection with meeting the claims of the consumer as stipulated in this Article, as well as pay voluntarily to this trading enterprise an amount equal to 10 percent of the incurred expenses. Legislation regulates relations between the producer and the trading enterprise-seller that are established by this Article.

3. The consumer shall have a right to demand a free elimination of defects or restitution of his expenses in their elimination, or the replacement of the commodity by the producer or an enterprise set up for this purpose, or an enterprise performing these functions on the basis of an agreement with the producer (enterprise performing its functions). Instead of making these claims, the consumer shall have a right to return the defective goods to the producer and demand a refund.

4. In case the consumer acquires defective foodstuffs, the seller shall replace them by appropriate quality goods or shall give a refund to the buyer if these defects are unconvered during the service life period.

5. A consumer's claim is considered upon the presentation by him of a receipt, and for goods having guarantee periods, of a technical passport or a document substituting for it. By request of the consumer, the seller shall give him a receipt or another document certifying the purchase. Should the consumer lose the technical passport or another document substituting for it, they are reissued, the procedure of reissue established by the Russian Federation law of civil procedure. The seller, producer (enterprise performing its functions) shall accept goods from the consumer and meet his claim unless they prove that the defects of the commodity are because of improper use or storage by the consumer, actions of third parties or force majeur. The consumer shall have a right to participate in testing the quality of a commodity.

6. The delivery of oversized goods and goods weighing less than 5 kg. for repairs, revision of price, replacement and return to the consumer shall be free by the consumer, producer (an enterprise performing their functions). Provided they fail to meet this responsibility, and in case the seller, producer (enterprise performing their functions) at the place where the consumer is, the goods may be delivered and returned by the consumer.

The seller, producer (enterprise performing their functions) shall indemnify him for all the expenses in connection with the delivery and return of goods.

Article 18. Timetable for Making Claims in Connection with Defects of Goods

1. The consumer shall have a right to make claims under Article 17 of this Law if the defects of the goods are uncovered within the producer-set guarantee period. As regards the goods for which a guarantee period is not set, the consumer shall have a right to lay the said claim to the producer if the defects were uncovered within six months, and with respect to real estate, within two years of its transfer to the consumer provided the legislation or agreement stipulates a lengthier period.

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2. A "to be consumed or used before" period shall be set for the goods the consumer properties of which may deteriorate with time or which may be dangerous for the consumer's life, health and property and the environment upon the expiration of a certain period of time (foodstuffs, cosmetics and perfumery, medicine, household chemicals, etc.).

Goods with their "to be consumed or used before" period expired, cannot be sold. With regard to these goods, a consumer's claim under Article 17 of this Law can be met if their defects were detected during the "to be consumed or used before" period.

3. The dates specified in Item 1 of this Article, as well as the service life period of a commodity shall be counted beginning on the date of its sale to the consumer.

If the date of sale cannot be identified, the date is calculated beginning on the date of manufacture. For seasonal-use goods (footwear, clothes, etc.), these dates are calculated starting with the date of beginning of the appropriate season as determined on the basis of the climatic conditions of the consumers' domicile by the government of the Russian Federation and the Councils of Ministers of the republics within the Russian Federation.

When goods are sold by sample, by mail order and in case the agreement on sale and the time when goods are delivered to the buyer do not coincide, these dates shall be calculated beginning on the date of delivery of the goods to the consumer, and in case goods need special installation (switching on) or mounting, on the date of their production. Provided the date of delivery, installation (switching on) or mounting cannot be ascertained or if the customer kept it until the conclusion of an agreement to sell it, on the date when the sale agreement was concluded.

The commodity validity period is calculated beginning on the manufacture date. The validity period shall be defined either as a period of time during which goods may be used or a date until which a commodity can be used.

4. Guarantee periods may be set for individual components and parts of the basic commodity. A guarantee period for components and their parts shall be calculated by the same procedure as the guarantee period of the basic commodity.

5. The dates mentioned in this Article shall be made known to the customer together with the information made known to him under Article 8 of this Law.

6. A consumer shall have a right to request the manufacturer to remove the defects of a commodity upon the expiration of the guarantee period. This request may be made during the indicated service life, and provided no service life is set, during ten years if the commodity is proved to have major defects for which the manufacturer is responsible. If this request is not met on time under Article 19 of this Law, the consumer has a right to make other demands under Article 17 of this Law.

7. The demands of the consumer under Article 17 of this Law shall be presented to the buyer, manufacturer (enterprise performing their functions) within ten days of the expiration of the period under this article.

Article 19. Removal of Defects of a Commodity

Detected defects shall be removed by the manufacturer (enterprise performing its functions) within ten days, and by the seller (enterprise performing its functions) within 20 days of the customer's making the appropriate request.

With respect of durable goods, the seller, manufacturer (enterprise performing their functions) shall, when the customer makes a request, make available to him on short notice a similar commodity, with delivery at own expense. The list of durable goods which this provision does not cover, shall be set by the government of the Russian Federation.

Provided commodity's defects are removed, the guarantee period is extended for the period during which the commodity was not used. The said period is calculated beginning on the date when the customer makes a request that defects be removed.

Provided defects are removed by replacing a component or its part that has a guarantee period, the guarantee period for the new component and part shall be calculated beginning on the date when the consumer gets the commodity after repairs.

Article 20. Replacement of Defective Goods

Provided the consumer detects defects in a commodity, the seller, manufacturer (enterprise performing their functions) shall replace it on short notice, and in case of need for another check of the commodity for quality by the seller, manufacturer (enterprise performing their functions) within 20 days of the consumer's making his request.

Provided a seller, manufacturer (enterprise performing their functions) does not have the requested commodity when the appropriate request is made, he shall replace it within a month. By request of the consumer the seller, manufacturer (enterprise performing their functions) shall make available and deliver to the customer a similar durable commodity for temporary use gratis, save for commodities mentioned in part two of Article 19 of this Law.

In the Far North and other regions where commodities are shipped on a seasonal basis, a customer's request for the replacement of a commodity shall be met within the time required to get another shipment of the appropriate commodity to the region.

When a commodity is replaced, the guarantee period is recalculated beginning on the date when it is delivered to the consumer.

Article 21. Liability for Delay in Meeting a Customer's Request

For each day of delay to meet the dates mentioned in Articles 19 and 20 of this Law, and for each day of delay to meet the customer's request for a similar commodity to be given him for the duration of the repairs (replacement), the manufacturer (enterprise performing its functions) that is responsible for the delay shall pay

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a fine equal to 1 percent of the cost of the commodity, the procedure of payment specified in Item 5 of Article 11 of this Law. Provided a consumer's request is not met on time under Articles 19 and 20 of this Law, the customer shall have a right to make another request at his choice under Article 17 of this Law.

Article 22. Settlements with Consumer in Case of Purchase of Defective Commodity

Provided a defective commodity is replaced by a commodity of the same brand (model, article), its cost is not recalculated if its prices changed.

Provided the agreement is dissolved, settlements with the customer in case the commodity price was increased shall be on the basis of its price when the request was made, and in case the price was lowered, on the basis of the commodity's price at the time of purchase.

If a defective commodity is replaced by a commodity of a different brand (model, Article), in case its price increased, the recalculation of its cost is on the basis of the price at the time of the replacement.

A customer who buys a commodity on credit shall, in case the sale agreement is dissolved, be entitled to a refund equal to the amount of payment he has made, and to a payment for its provision.

Article 23. Customer's Right for Replacement of Commodity of Good Quality

1. A consumer shall have a right to exchange a commodity (except for food) of good quality for a similar commodity at the trading enterprise the commodity was bought if the commodity is of the wrong style, size, cut, color or cannot be made use of for different reasons.

The consumer shall have a right to exchange a good quality commodity within 14 days not counting the day of purchase.

A good quality commodity can be exchanged if it was not used, appears fit to use, retains consumption properties, seals, factory labels and a receipt the consumer got upon the purchase of the commodity.

The list of goods that may not be replaced for reasons mentioned in this Article shall be approved by the government of the Russian Federation and the Councils of Ministers of the republics within the Russian Federation.

2. Provided a similar commodity is not in stock when the consumer makes the request, the consumer shall have a right to dissolve the agreement, if he wishes so, and demand a refund of the money paid or exchange the commodity for a similar one as soon as it becomes available. The seller shall notify the consumer who requests an exchange of the commodity when it becomes available.

Article 24. Form and Procedure of Payment for Purchased Commodities

The consumer and the seller shall agree between themselves on the form of payment for the purchased commodities (payment in cash or by transfer).

Commodities are sold on credit following a procedure as envisaged by the rules for the sale of goods on credit as established by the government of the Russian Federation.

Provided commodities are bought on credit, the consumer shall acquire ownership of the commodities at the time when the commodities are transferred to him, unless otherwise specified in the agreement.

Article 25. Rules Concerning Individual Kinds of Sale Agreements

Rules concerning individual kinds of sale agreements as well as rules covering the sale of individual kinds of commodities shall be approved by the government of the Russian Federation.

SECTION III. PROTECTION OF CONSUMER RIGHTS WHEN WORK IS PERFORMED AND SERVICES ARE RENDERED

Article 26. Performer's Liability to Sign an Agreement for the Performance of Work and Rendering of Services

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A performer dominating the market shall sign with the consumer an agreement for work to be performed or services to be rendered, except for cases when he proves that their performance (rendering) falls beyond the activities he is engaged in under the articles of association or beyond his production potential. He shall organize his production or other economic activities in such a way as to meet the needs of citizens in an appropriate and uninterrupted fashion. A performer shall reimburse the consumer for the losses caused to the latter by an unjustified refusal to sign an agreement for work to be performed or services to be rendered.

Article 27. Rules for Service-Sector Operation and Other Services

Rules for service-sector operation and other services (performance of individual kinds of work, rendering of individual services) shall be approved by the government of the Russian Federation.

Article 28. Dates of the Performance of Work and Rendering of Services

1. A performer shall carry out work (render a service) meeting the dates established by rules for the performance of individual kinds of work (rendering individual services) or an agreement. The agreement shall indicate the period for the performance of the work (rendering of service) if the said rules do not cover them, as well as a period shorter than that specified by the rules.

2. The period for the performance of the work (rendering of service) may be determined by the date (period of time) by which the work must be performed (service be rendered), as well as the date (period of time) when the performer shall start its performance (rendering). Provided work is performed (service rendered) on a continual basis (mail delivery, equipment maintenance) throughout the period of validity of an agreement, in-between dates (periods) for the performance of work (rendering of services) shall be provided for.

Article 29. Consequences of Failure to Meet the Dates of Performance of Work and Rendering of Services

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1. Provided the performer fails to start the performance of work (rendering of a service) in due time or if it becomes obvious during its performance that it will not be done (rendered) on time, as well as in case of delay in the performance of work (rendering of a service), the consumer shall have the right to choose between the following:

set a new period for the performer during which the latter shall start performing work (rendering a service) and (or) perform (render) it;

entrust the performance of work (rendering of a service) to another person at the expense of the performer;

demand that a smaller remuneration be paid for the work (service);

dissolve an agreement and demand a reimbursement of losses.

2. The new consumer-appointed dates during which the performer shall start performing work (rendering a service) and finish it shall be specified in the agreement.

Provided the new dates are not met and the delay is more than a month, the consumer shall have a right to make other demands under this Article.

3. Should the agreement be dissolved in case the performer fails to begin work (rendering a service) in due time or performs (renders) it so slowly that meeting the dates becomes impossible, the performer shall not have the right to demand reimbursement for losses incurred in the process of work (rendering of service), nor payment for the already performed work (rendered service).

Rules concerning individual kinds of work (services) may cover the particulars of payments (settlements) in such cases.

4. Should appointed dates for the beginning and end of work (rendering of services), as well as new dates set by the consumer under this Article, the performer shall pay the consumer for every day (hour if the period is specified in hours) of delay a fine equal to three percent of the price of work (service), and if the cost of the work (service) is not mentioned in the agreement separately, the total cost of the order, up to the beginning of the performance of work (rendering of service) or the consumer's making other demands under Item 1 of this Article.

The amount of fine a consumer is entitled to may not exceed the cost of an individual kind of work (service) or the general cost of the order unless the cost of an individual kind of work (service) is determined in the agreement.

5. The demands of consumers under Item 1 of this Article shall not be valid if the performer proves that the delay in the performance of work (rendering of a service) was due to force majeur or at the fault of the consumer.

Article 30. Consumer Rights When Defects in Work Done (Service Rendered) Are Detected

1. Should defects be detected in the work performed (service rendered) the consumer shall choose between demanding that:

defects in the work done (service rendered) be removed gratis;

remuneration for work performed (service rendered) be correspondingly lowered;

another thing of a similar material of the same quality be manufactured or the work (laundry, dry cleaning) be repeated, or the expenses he incurs in having the defects corrected on his own or by a third party be reimbursed.

A consumer shall have a right to dissolve the agreement and demand a reimbursement of losses unless defects in the work performed (service rendered) are removed by the performer within the established period of time. The consumer also has a right to dissolve the agreement if he detects major defects in the work done (service rendered) or other major departures from the terms of the agreement.

2. The demands set by Item 1 of this Article may be made should defects be detected when the work (service) is accepted or when it is being performed (rendered), and in case of impossibility of detecting defects when work is accepted, during the guarantee period, and if there is no guarantee period, within six months of the date of acceptance of the work. Demands connected with defects in a building or other real estate that could not be detected when work was accepted, may be made when the defects are detected during the guarantee period, and if there is no guarantee period, within two years of the date of acceptance of the work.

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3. A consumer shall have the right to demand a gratiutous elimination of the defects of work upon the expiration of the period of guarantee. This demand may be made if within the established service life (and in case there is no service life established, during ten years from the date of acceptance of the work) major defects be detected that the performer is responsible for. Should this demand not be met in due time under Article 31 of this Law, the consumer shall have a right to choose between the following and demand that:

remuneration is correspondingly reduced for the work;

the losses he incurs in removing the defects on his own or by a third party be reimbursed;

the agreement be dissolved and the losses reimbursed.

4. The requirements set in Item 1 of this Article shall be made within ten days of the expiration of the period of guarantee or periods under Items 2 and 3 of this Article.

Article 31. Dates for Removal of Defects of Work (Service)

The defects of a work (service) as detected in the course of its performance, shall be removed within a reasonable period of time set by the consumer.

The defects of the work performed (service rendered) shall be removed within twenty days unless the agreement signed when the work (service) was accepted or rules concerning the performance of individual kinds of work (rendering of individual services) set a shorter period of time.

The period for the removal of defects that is set by the consumer or is agreed upon by the partiers is specified in the agreement or another document signed by the parties.

Failure to keep to the period for the removal of defects under this Article shall be penalized by a fine, its size set by rules concerning the performance of individual kinds of work (rendering of individual services) or an agreement.

Article 32. Right of Consumer to Dissolve Agreement on the Performance of Work

A consumer shall have a right to dissolve an agreement on the performance of work at any time, having paid a remuneration for the performed work to the performer and having reimbursed him for the direct losses due to the dissolution of the agreement.

(To be continued)

Consulting services in business partnership

The Russian-American Information Resource Institute has been opened in Moscow. It was founded by the Institute of World Economics and Internationl Relations under Russian Academy of Sciences and the MRV company owned by prominent lawyer and politician Thomas Murray. The institute will specialize in consulting services in the field of business, economic research, as well as in the training of professional personnel for Western companies.

Not a few joint ventures of this kind have already been established. In the former USSR, however, there are very few specialists in the market economy. Nearly all of them are employed in the Institute of World Economics and International Relations, almost the only institution which has studied market economics for decades.

The Americans' interest in cooperating with our leading market specialists seems to indicate that the United States is worried about lagging behind European countries in business partnership with Russia.

The need for skilled business consulting services is very great. For instance, while having an agreement on joint space flights, Russian and American specialists are unable to overcome the financial obstacles caused by incomparable prices. Similar problems exist in almost every joint project. The intellectual potential of the Institute of World Economics and International Relations, in which about 400 Doctors of Science are employed, will prove indispensable in the solution of these problems.

Russian-European space cooperation

Faced with an acute financial constraint, rich Europe is compelled to revise plans for building a spaceship as well as plans to independently launch a man into near-earth orbit.

In view of this, the European Space Agency Administration proposes that a Russian-European space system should be organized, jointly with Moscow, without delay. It is prepared to take part in the preparation of a new orbital station, Mir-2, to be launched in 1996.

The 13-nation agency decided to cooperate with Russia because of its stranded situation. It had to cut its program by 4.9 billion francs. Budget cuts seriously threaten the project of the shuttle craft Hermes and the orbital station Columbus. In this respect, too, the Europeans increasingly are counting on Russia's assistance.

Several months ago the European Space Agency concluded agreements with our research institutes and enterprises. The parties are now considering contracts of estimated value of 700 million francs.

In spite of its financial difficulties the agency refuses to give up the program of manned space flights. To carry out their plans, the Europeans hope to make three flights on board the Mir station.

A final decision on European-Russian cooperation in space research will be adopted at a meeting of ministers to be held in Granada, Spain, in early November.

Arms sold at Nizhni Novgorod fair

The latest models of weapons and military equipment – famous MIG fighters, armoured carriers, arms manufactured at Tula and Izhevsk plants, and even several missile complexes – are displayed at the Nizhni Novgorod fair. Over 100 defence plants from different regions of Russia are taking part in the exhibition. The products of these plants these days are stored in the places of their manufacture. "Of course, many of these enterprises are now converting to civilian production," says Alexei Napylov, director of the fair. "However, additional financing is needed for this purpose. That is why a decision was made to help defence plants sell what they have stored up. We sent out invitations to dozens of embassies," Napylov went on. "The military attaches who came to the fair displayed keen interest in our latest military weapons and equipment."

Bright design by Elita-Flora

Elita-Flora is a new Moscow-based interior decoration company that specializes in what it calls phitodesign, or the use of plants, minerals and other natural materials in interior design.

The company employs experienced florists who make bouquets for celebrative events.

The idea was hatched only half a year ago. The founders of the company were trained by foreign instructors, in turn passing on their expertise to resident students.

Elita-Flora has provided services to a variety of festivals and holidays, negotiations and meetings: the Peace Parade, the Red Square festival, the US national holiday in the American ambassador's residence, a meeting of the US-Soviet Trade and Economic Council, and the negotiations among CIS heads of state at the Presidential Hotel. Elita-Flora has decorated offices at the Polish, US, Jordanian, Indonesian and Bolivian embassies.

CIS tractors on US fields

Directors of Tractoroexport, a company exporting Belarus tractors, met in Minsk with dealers of their US subsidiary, Belarus Machinery Incorporated (BMI), an entity owned entirely by Tractoroexport. It was noted that in 1991, BMI sold 3,635 wheeled agricultural tractors in the USA worth 28.9 million USD, representing a 3.7 share of the US tractor market.

The best selling tractors were in the 40 to 100 h.p. category which accounted for 6.4 percent of all tractor sales. BMI also sold 370 pieces of agricultural equipment and 113 diesel engines, and there are plans to market the Don-1500 harvester in the USA.

US dealers claim that CIS tractor manufacturers are now the world's largest and that their products are up to world standards. The secretary and treasurer of the BMI board of directors said that Tractoroexport gives Russia a unique long-term expertise of successful operation on US markets.

Over its thirty years of operation, Tractoroexport has developed into Russia's and the CIS's biggest exporter of machinery and equipment with more than 1 million units sold. It has built up powerful services and marketing operations abroad which are based on the company's wholly and partially-owned companies active in 21 countries. It has established stable commercial ties with 200 companies from 70 countries around the globe.

Mark Masarsky:

I want to create a class of property owners

A philosopher, entrepreneur talks with the authors of the New Russian Entrepreneurs project (financed by the commercial Technobank and the RINAKO joint-stock company)

"As far as I can remember I have always sought for freedom"

Fate

I am not among those who knew all along they would go into business. My early experience as a Young Pioneer and then a member of the Young Communist League did not predispose me to that. Now that I come to think of it, however, a certain degree of latent genetic predisposition to private enterprise must have been built into me. I was probably destined to become what I am now.

As far back as I can remember I have always sought for freedom. This need has been pivotal for me. As years passed by, I learned that freedom is a basic human value, one of the two reflexes – cognition and freedom – underlying human psychics. Freedom for freedom's sake. Outwardly, this reflex manifests itself in a baby's desperate resistance to being swaddled,

I believed that freedom – spiritual freedom – came from knowledge and social action; that teaching and journalism were forms of direct social action, and means of influencing the course of events; and that both occupations were identical from the viewpoint of this ambition. My democratic origins and the atmosphere I was raised in (my both parents and most of my relatives were schoolteachers), and the education I received later combined to shape this view.

As I subsequently discovered, however, the key to freedom lay elsewhere. It wasn't too long before I got convinced that Bacon's formula – knowledge means strength, and strength means freedom – was mistaken. Upon becoming a teacher – an enlightener, if you will – I felt constantly handicapped by my limitations. No sooner had my lectures become too popular with students than all sorts of troubles – summons to the Party Committee and ill-concealed warnings – began.

I realized that teaching, enlightenment was a precarious occupation –one had to use the language of Aesop and there was a permanent danger of getting the boot... So I switched to journalism and got a job with the *Molodoi kommunist* magazine, but the situation there wasn't much different. Those were rather liberal times, mind you, and the magazine allowed its staff writers more freedom than other publications did.

But for all that, there must have been a loadstar which constantly guided me to freedom. I began to feel free, at last, after I had joined Vadim Tumanov's famous gold prospecting team Pechora. Upon finding myself on that islet of economic freedom (relative, of course, in those times), I had an emotional shock of the kind a modern city dweller would have experienced if a time machine had taken him all the way back to Zaporozhskaya Sech. Incidentally, that was the idea of freedom we identified the Pechora with.

The ending of that story was not happy at all, though. We paid a dear price for that freedom. In 1986, in the perestroika period, the CPSU Central Committee set dozens of criminal investigators on the Pechora in order to try and find a pretext for prosecuting us.

We were not alone, of course – men like Yevgeny Yevtushenko, Otto Lacis, Yegor Gaidar and Stanislav Govorukhin gave us a hand. Yevtushenko even secured an audience with Ryzhkov who then told the Prosecutor General to go by law, not by instructions from above. Alexander Vlasov, the then Minister of the Interior, also came up in support of the Pechora. All that helped us to hold out; investigation was stopped. Nevertheless, the team was disbanded on the instructions of Durasov, Minister of Non-Ferrous Metallurgy, who found fault with the fact that the Pechora had formally violated its own regulations by building roads not for those specified in its statute but for the Ministry of the Oil Industry – as if the latter belonged to another state.

Still, the Pechora survived, even though in different forms and under a different name. As early as in July 1987, within a month of team's disband-

About the author:

Mark Masarsky, 52, married, with two children. Upon graduating from Moscow University where he studied philosophy, Masarsky went through the post-graduate course at Rostov State University, then taught philosophy, sociology and the general theory of management. Later, he became a correspondent of the *Molodoi kommunist* (Young Communist) magazine; in the early eighties, Masarsky joined the famous gold prospecting team Pechora and stayed with it until it was disbanded. In 1987, he founded the first building cooperative, the Volkhov, in Novgorod, which has by now developed into a joint-stock company controlling a number of industrial and financial enterprises, such as the *Rossiiskoye zoloto* (Russian Gold), *Svoi dom* (Build A Home), *Znamya* (Banner), Novobank, the Voltek joint enterprise... Mark Masarsky successfully combines entrepreneurial activity with social work: he is President of the International Enterprise Managers' Association, a member of the Presidential Entrepreneurial Council, Chairman of the Entrepreneurs' Council under the Mayor and Government of Moscow.

ment, we entered into negotiations with Yuri Batalin, Chairman of the State Committee for Construction (Gosstroi). The Volkhov, as our cooperative was known then, had established very good relations with him. What's more, Batalin made the Volkhov the Gosstroi's branch organization in Novgorod Region. Together with the Gosstroi we opened a business school in Moscow which has by now trained thousands in the art of running a cooperative.

In that period, the state pursued the policy of paternalism with regard to "civilized cooperatives." My own idea of a "civilized cooperative" was of one that can suppress its "snatching reflex" and is forward looking. All the members of the cooperative knew that we were all in the same boat, and we had to tighten our belts. None of us drew his pay for nine months, we invested all we had in business.

Our strategy proved correct – a small cooperative turned into a large production and financial association with the fixed stock of 250 million rubles. When we had started it, we owned only a typewriter and my old Niva car.

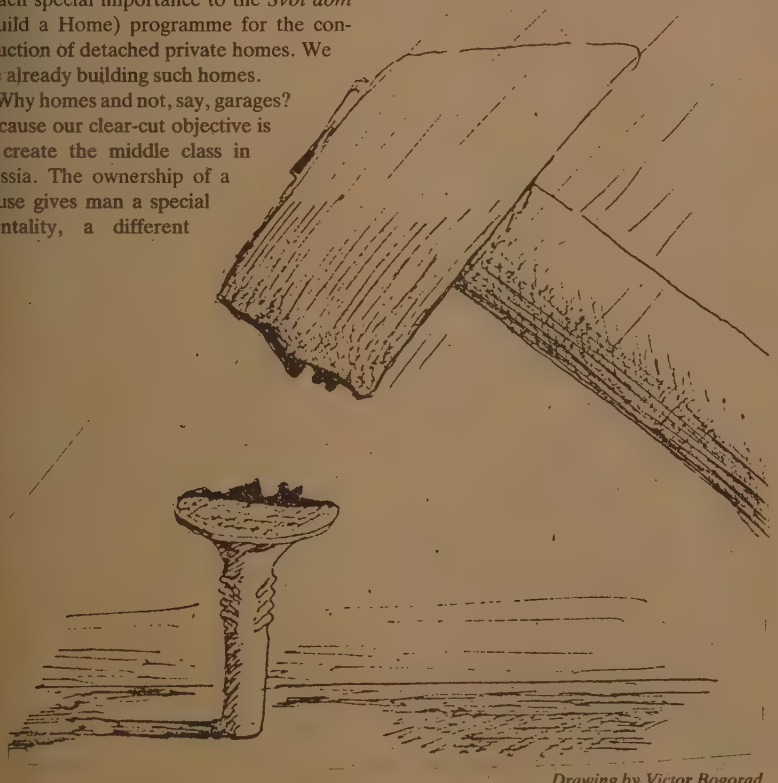
Property

Of all the programmes we have drawn up, I attach special importance to the *Svoi dom* (Build a Home) programme for the construction of detached private homes. We are already building such homes.

Why homes and not, say, garages? Because our clear-cut objective is to create the middle class in Russia. The ownership of a house gives man a special mentality, a different world view, and a sense of social well-being. The house one owns is a point of attraction for him and his relatives; such homes form the "warp" of the texture of society.

As I studied the relative records of the revolutions in Europe and in Russia, I found out, for example, that in the first French Constitution of 1791 citizens were divided into "active" and "passive" ones. Who is an "active citizen"? The one who pays the real estate tax. Legislators motivated the need for such division by the fact that a person who did not own a home, or real estate in general, was dependent and easy to manipulate. And vice versa.

Apart from being profitable today, the construction of private homes is a means of creating a stable society which will not go from one extreme to the other, from "long live Yeltsin" today to "down with Yeltsin" tomorrow. Stability can be imparted to society only by a large middle class and its leader, the bourgeoisie. The ownership of private property, be it houses or means of production, is a distinguishing feature, a typological characteristic, of that class. This is why I maintain that each citizen should become a property owner. The economy should be privatized, and privatization vouchers handed out to all citizens, as soon as possible. Although free distribution is vulnerable economically, it is profitable socially. All citizens should be given a relatively equal chance of becoming property owners.



Drawing by Victor Bogorad

Some people will not be able to use this chance, to take advantage of their share of national wealth. As a result, the piece of property they have received free will be taken over by more efficient users. This is a natural process, this has happened, and is happening, all over the world. There are leaders and those who prefer to be led everywhere. In accordance with the population theory, only four to five percent of species in a group can be leaders. This applies to human society as well. Many people do not want to be entrepreneurs, to risk their property, health and reputation. They would rather be passive workers, it is safer and more comfortable that way. Many are just not cut out to be entrepreneurs. American researchers have established that no more than 5-6 percent of a country's population have the makings of an entrepreneur in them.

Is that much or little? If extrapolated to Russia, this proportion will amount to 8-10 million of potential entrepreneurs. Plus tens of millions of those who will put their money in real estate, shares or other securities and become co-owners of industrial and commercial enterprises. This is going to be a factor in stabilizing society.

The economic aspect of this problem is obvious: private property ownership gives one a more powerful stimulus to work than anything else. A business owner needn't be stimulated, his business is stimulant enough. It would be absurd of us if we introduced, in the Volkhov, the practice of socialist competition and presented diplomas to the winners. This is entirely out of the question, because all the members of the Volkhov cooperative are its co-owners. They have received shares which we, the group of the "founding fathers," the veteran members of the cooperative, could have appropriated. We decided to share our stock with new members, however. Now we have 30 millionaires in the Volkhov, in terms of the worth of the securities they own, and 70 members are approaching that level.

"The human factor"

Selecting the right men for your business is half the battle. Personally, I have no much trust in objective or formal criteria like college diplomas or work experience... To my mind, these criteria (just as tests, for that matter) can be misleading. I prefer personal impressions, recommendations, and probation. I have discovered on more than one occasion that one is often not aware of his

Drawing by Marat Tairov

potentialities, of his "ceiling," that his past record does not tell the whole story about him. What had Vadim Tumanov been before he switched to business? A sea navigator. Did he have anything to do with gold digging? Nothing at all. Nevertheless, he turned out to have a genius for gold prospecting.

I am not against professionalism in general, of course. It won't occur to anyone to entrust a surgical operation to anyone who is not a surgeon. In the management sphere, there are also functions which call for a professional to discharge. I am certain, though, that overall management should be done by a non-professional. Humanitarians, who have more imagination, make the best managers.

Here is a specific example. We needed brokers for our Moscow Commodity Exchange. At first, we opted for the workers of the State Committee for Material and Technical Supply on the assumption that they would do the broker's work professionally. That was a mistake. Those of them we employed were not much good as either agents, or brokers. On the other hand, yesterday's black marketeers and people without any profession at all did pretty well.

Like any manager, I set certain standards to those who seek employment with my company. First, I prefer people who have brains. After all, what is silliness from the economic and technological viewpoints? It means using old cliches under new conditions. Second, I value devotees who identify themselves with their profession. I have full trust in such people. Even if I disagree with decisions they have made in my absence, I never call them off.

In general, devotion to a cause, corporate solidarity draw people close together.

Entrepreneurs

I think that the talk about the so-called "underground operators" having become the new bourgeoisie largely comes from ignorance of the real state of affairs. The "undergroud operators" are not in a hurry to come out into the open: business taxes are too high today to encourage them to legalize their business, They prefer to stay underground, to pay no taxes, and to profit by that.

It is not these people, however, who set the tone in our economy. Personally, I do not know a single "underground operator" worth taking my hat off to. Those of them who have made good come from perfectly legal spheres of activity: some used to be managers of state enterprises, others were connected with the "Komsomol" economy, still others are former Party apparatchiks-short-timers, really, who never made it to high places. Among big businessmen there is not a single ex-First Secretary of a CPSU Regional Committee. Finally, there are many former research workers, journalists, teachers and lawyers among new entrepreneurs.

These different groups are in different positions, of course. Whereas former state factory managers (and, incidentally, top Party and Komsomol bureaucrats) had some experience in running the economy, those who have come from other spheres of activity had to begin from scratch. However, they had the advantage of being free of harmful stereotypes and ambitious to assert themselves.

The new alternative economy cut into the old one like a hot knife into butter. Having found its niche, it was practically unrivalled by the state sector. I do not share the view, however, that new entrepreneurs representing the alternative economy will come to dominate the entrepreneurial class. Ex-managers of state enterprises have a no small potential, and quite a few of them have already become real big-time entrepreneurs, with their mentality and behavior perfectly true to type.

On the other hand, there are many businessmen in the sphere of the alternative economy whom I'd call comprador bourgeoisie. Take Artyom Tarasov, for example, who is often referred to as a model entrepreneur. What he engaged in at home was not entrepreneurial activity but speculation. It doesn't take a great deal of business acumen to sell fuel oil abroad, then to buy computers there and to sell them here at 50 times their price. I have nothing against speculators, they are the pilots of the market, but let us call things by their proper names. Reinvesting speculative capital in production is one thing, and using it to hitch up prices in the sphere of consumption is something else again. Where have Tarasov's million-dollar profits gone to? He has not invested them in the Russian economy...

On another occasion I have already written about Russian trade capital moving in a "close circuit," and the reason why I am now repeating myself is that most people here are all mixed up, they see

only foam on the surface of the economy which, incidentally, is an indication of swift current. Instead of prosecuting speculators, we ought to provide economic conditions favourable to production. I am certain that the future is not with the comprador bourgeoisie but with producers, with those who build houses, roads and make consumer goods.

And now the ball is with those who resell all sorts of merchandise, trade in "air" and money taking advantage of the ridiculously high credit interest rates, and who are already beginning to trade in land which does not belong to them – more accurately, in the right to lease it. Production is not encouraged – what's more, the very stimuli to the expansion of production are being undermined.

The government

The government is sitting on a fence and seems to have lost all sense of reality. It looks as if it needs no social support because it is an aim in itself. The government does not further the interests of any social group. With one exception, perhaps – whether the government wants it or not, it objectively serves the interests of the aggressive, greedy and rapacious tribe of bureaucrats. By retaining state ownership of the means of production, for example, it plays into the hands of the bureaucrats who are in full control and who have the last say in deciding whether this or that "legal entity" is to be allowed into the market. Using its executive powers, bureaucracy is nipping the new economy in the bud.

I am personally acquainted with many members of the government – they are very intelligent and knowledgeable young men. I have respect for them as theoreticians, but had one of them set up even a tiny cooperative and gone through that "school of hard knocks," I would have lent a more attentive ear to their discourses on priorities. The IMF's recommendations are not the gospel truth, and what is the West's meat may turn out to be Russia's poison.

The government is stuck on the deficit-free budget idea and proceeds from ideal conditions – ideal currency, ideal investment motives, ideal market entities. There is nothing of the kind in real life, therefore much should be left to self-adjustment processes, and interference in them should be reduced to a minimum. The government would do the right thing if it stepped aside, left it to us entrepreneurs to deal with the "black holes" in the economy, and minded its own business of guaranteeing people's property and personal security, strengthening the currency, guarding the state frontiers, and doing macro-economic regulation (indirectly, of course).

Private enterprise ought to be given every encouragement – the whole world knows how to do that. Investments should be exempted from taxes, low taxation and even total tax exemption should be used as an incentive. Recall the impressive progress the cooperative movement made after it had been relieved of taxes for two years! Many more market structures emerged under Ryzhkov and Pavlov than did under Gaidar. This ought to give all those concerned some food for thought.

Ours is a very feeble market, so the slogan of "May the weak perish" is dangerous: not all that perishes deserves it. Normal competition would have killed our oil industry (operating costs are too high), aluminium production, the electronics industry, gold and silver production, etc.

I would word my attitude to the policy of the present government as follows: it is making wrong steps in the right direction. Therefore, I support its strategy, not its tactics.

Business and politics

Entrepreneurs' parties are not to be found anywhere in the world except here. We are pioneers in this respect, too. There is no real private enterprise yet, but entrepreneurs' parties already exist. I take a definite stand on this matter: the establishing of such parties is sheer nonsense. First of all, any party should serve the interests of a larger social group and have a stronger social following than entrepreneurs do. Second, each should do his own business: political parties are after power, but mixing power with private property ownership will produce an explosive. So if an entrepreneur takes an interest in politics, he may indulge in it optionally, like any other citizen. An activist-entrepreneur, let alone the leader of a party, is not an entrepreneur any longer. There is a whole spectrum of political parties which further the interests of this social group to some extent or other. Even the reformist wing of the CPSU headed by Gorbachev did that: a free enterprise council was set up under the President of the USSR. The same council is functioning under Russia's President as well. Besides, there are entrepreneurs' unions.

Values

A near-ideal society, as I see it, is a liberal, democratic society in which democracy and liberalism, democracy and freedom, balance each other out. Both characteristics are necessary, because a liberal society may be undemocratic, and vice versa.

Democracy makes it possible to achieve a balance of interests and never drives anyone – be it Communists or even fascists – into a corner because when cornered, even a rabbit becomes aggressive. Besides, it has a system of power sharing, of restraints and counterbalances, guarantees of personal freedoms, personal and property security. I like Winston Churchill's definition of the democratic society as a society in which everyone knows that a knock on the door signals the arrival of a milkman, not of a policeman. This is the kind of society I'd like to live in.

I am a Westernist and a Liberal. At the same time, I am a supporter of the state. That is, I am not for a great power, mine is not an imperial mentality, I am for strong state power. Incidentally, that is precisely why I has always been a counterrevolutionary; I can't stand revolutionaries and all sorts of rebels who destroy statehood. I like non-conformists, those who are opposed to violence, I like free but law-abiding persons. Those who spit on law and recogize only the right of the strong, the natural right, are dangerous. Unfortunately, our society is now sliding into group, class and national egoism. So if we fail to strengthen statehood, to establish the rule of law, our country will disintegrate.

The Cossacks have always been the enemies of the state – I mean Cossacks in a broad sense of the word (in the Troubled Times, the Patriarch and the Boyars cossacked it, too). It was the middle class that restored statehood. Minin and Pozharsky represented the middle class, a peaceful and non-violent class which serves as a buttress of statehood everywhere. It has long been in the majority in all the developed countries, but it is still in the minority here. I am certain though, that before very long it will form the majority in this country, too. This is what I base my hopes for Russia's better future on.

Prepared for publication by
Igor Bunin and Yuri Krasheninnikov

An intricate circulation of foreign currency in Russia

Unless the ruble becomes a convertible currency real money will continue to flow out of Russia, in one way or another

A queer situation has arisen in Russia. On the one hand, it has no foreign currency, and the government humbly requests Western banks to defer payments and interest on credits granted earlier. On the other hand, there is plenty of foreign currency. Just look at the prices on most expensive commodities (flats, country houses, cars and garages). These prices grow in relation to the falling exchange value of the ruble. This means that a more or less substantial ruble market for commodities does not exist, most of them actually being bought and sold for foreign currency.

Since foreigners are not very interested in property of this kind, there is no doubt it is bought mainly by Russians who either have lots of bucks or bags of rubles.

Sources of foreign currency

It is practically impossible to determine where foreign currency comes from, where it can be found, where it goes and how it is spent.

There are different mechanisms regulating the circulation of foreign currency whether it's through the bank or in cash. Along with the legal sources, which can be controlled, there are numerous illegal channels for the flow of foreign currency, where it is extremely difficult to estimate the sums at stake. In the last analysis a purely methodological question arises. What can be regarded as foreign currency in a given case? Only dollars and deutsche marks accepted in what is called "commercial shops" or all of the 18 convertible Western currencies? And what about Polish zlotys then? For obvious reasons they are becoming a popular foreign currency in Russia. However, the zloty is not convertible due to terms set by the International Monetary Fund.

There are several main sources of the flow of foreign currency in Russia. The most important of them is export. Russia exports goods, services and gold. While being a type of commodity, gold is always considered separately by virtue of its specific character. During the first eight months of this year Russia exported goods worth 21.5 billion dollars, with 85 percent of them being sold for freely convertible currency. However, only 4.4. billion dollars was entered into the accounts of Russian exporters, or not more than a fourth of the registered incomes from hard currency export. Though the rest of the export was also evaluated in dollars, this did not increase the inflow of foreign currency because trade was done on a barter basis, clearing payments were used, the buyer did not pay for the goods in time, the currency earnings were used to pay a part of state debts, or they were simply kept secretly abroad. In any case, the sum of "real" foreign currency received by Russia from export is roughly a fourth of the total sum of export.

Currency earnings from the export of services are minimal. During the first eight months they made up only 340.5 million dollars. This comes as a surprise considering how newspapers report our vessels and planes, chartered by other countries, carrying numerous goods, fulfilling unique transport operations, and so on. The export of insurance services is practically undeveloped. Foreign tourism is in a rudimentary state, though it is one of the most profitable spheres in many countries where there is a much less famous history and smaller quantity of historical monuments.

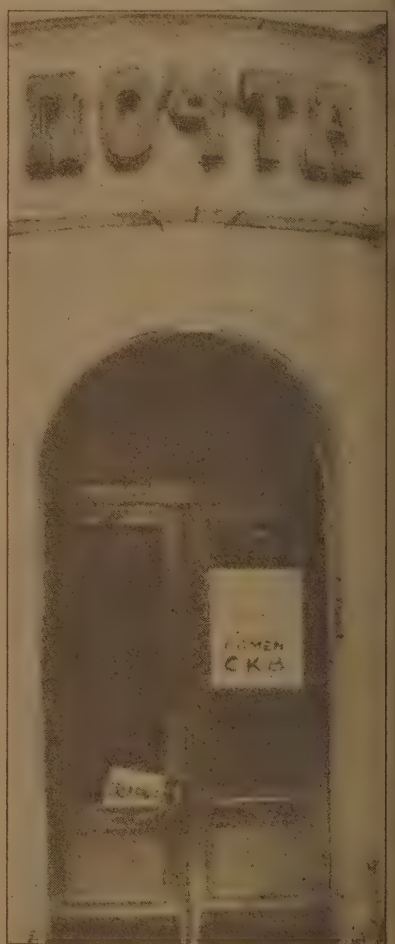
The export of gold is an ambiguous matter. It has always been used to patch up holes in the trade balance and, therefore, no forecasting or scientific analysis could be made. For some reason Western experts believe that this year Russia will export gold worth one billion dollars, though the actual figure may differ substantially.

Foreign credits are another source for the inflow of convertible currency. At present Russia receives credits from foreign governments, private banks and firms and international financial organizations. Small credits extended to the former USSR and the credits currently being received by Russia come through official channels. Some enterprises also manage to get credits for the purchase of goods abroad. Lastly, international organizations promise various credits to be granted for concrete aims by the end of the year.

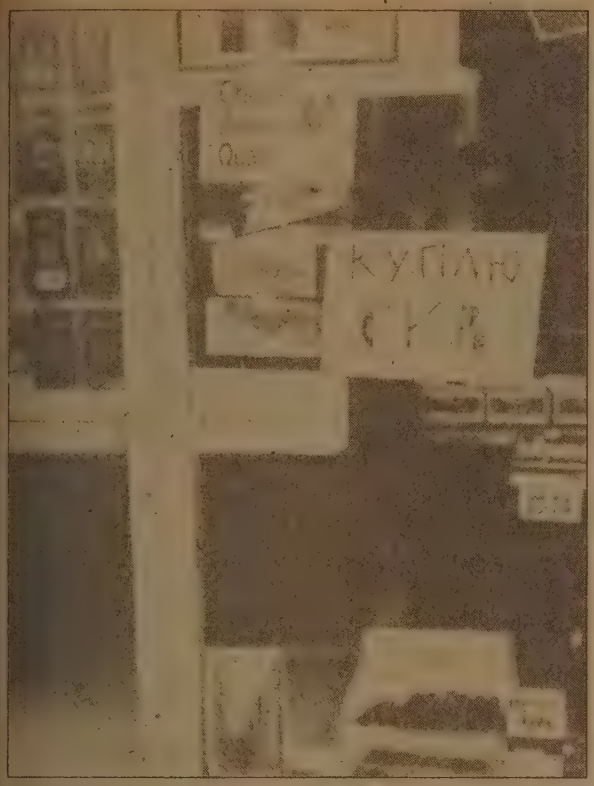
This source of receiving foreign currency becomes increasingly doubtful because of Russia's inability to repay credits. Besides, in most cases credits are tied, that is, they can be used only for the purchase of strictly defined goods or spent on aims agreed on by the creditor. It is possible that Russia will be able to receive foreign currency from the countries indebted to it. But each dollar will have to be squeezed with great difficulty. And, it will not be a large sum.

Foreign investments are a third, and more modest source. From 1987, when it was first officially allowed to set up companies with foreign capital, to May of this year the volume of foreign investments rose only to 3.4 billion dollars. Moreover, there was state registration of enterprises in the Soviet Union, though this was done in a slipshod manner. At present, there is no accounting of really functioning foreign capital.

The prospects for foreign investment this



Exchanging convertible currency officially at government exchange points isn't always so convenient...



...but any corner shop can do it for you in a wink of the eye

year are rather bleak. There volume will hardly reach 200 million dollars. This figure can be determined by reports on new registered enterprises receiving foreign investments.

Here is one of them. Two citizens of Lebanon, contributing 25,000 rubles each (less than 100 dollars) registered a joint-stock company of a closed type. With this money they are going to organize retail and wholesale trade and a network of shops, restaurants, hotels and vacation resorts, agricultural and industrial production, and render business and mediation services. Even if the respected businessmen manage to find rich sponsors, it is far from the kind of foreign investment Russia needs. Unfortunately, the vast majority of joint ventures are companies of this kind.

There is lastly one more source which, unlike the above-mentioned ones, ensures the inflow of foreign currency in cash. The most profitable item here is the unlawful export of raw materials. Newspapers reported on cases when whole trainloads of oil went to the Baltic states. From these states oil was exported straight to the West. The lack of customhouses on the borders with neighbouring countries allows businessmen to export practically any goods which are then immediately resold for hard currency, while payment is often made in cash to avoid taxes and registration. This author once watched on at Sheremetievo airport in Moscow as a home-grown businessman nervously transferred from one pocket to the other a thick pack of 100 dollar bank notes before the customs checkpoint. An upright American standing beside him was very surprised and said he never kept such a large sum in his hands. Catching his amazed look, our businessman explained in poor English that he earned dollars from the export of non-ferrous metal scrap. According to some estimates, such unlawful export brings in a billion dollars a month.

Cash also gets into Russia by "business tourism" – when our citizens export whatever can possibly be sold on the markets of neighbouring countries. Foreigners, mainly Vietnamese, also contribute their "share" to this process. They take out Russian-made goods in export quantities and come back with dollars in their pockets. It is believed that our compatriots bring about one billion dollars in cash from Poland alone every year.

Foreign currency is brought into Russia also by foreign tourists, businessmen, diplomats and other officials who spend it here. They exchange currency into rubles in banks or, more often, on the streets, being surprised how everything is cheap in Russia. A 40-litre tank of petrol for a motor car costs 1,000 rubles or three dollars. A hearty dinner for four with caviar and wine costs 12,000 rubles or 40 dollars. They also go to hard currency shops, being surprised how everything is expensive there.

Finally, there is one more source of cash foreign currency – the dollar wages received by many Russians employed in foreign offices. Some people earn so much that they can afford to exchange part of their incomes into dollars even at the present wild rate. It is estimated that at least three million people in Russia earn an average of 500 to 1,000 dollars a month, with three percent of them earning more than 2,000 dollars a month.

Where foreign currency is concentrated

After foreign currency gets into Russia it can go to various places, first of all to the Central Bank one of whose functions is the distribution of currency values.

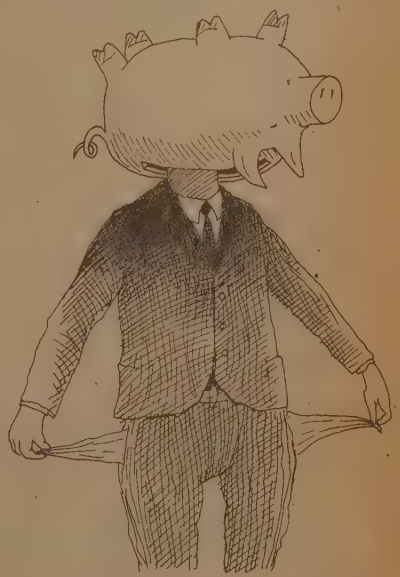
In accordance with current legislation these values include actual foreign currency, securities in foreign currency (cheques, bills, letters of credit), stocks (shares and bonds), precious metals (gold, silver, platinum and metals of the platinum group in any form and state, except jewelry), natural precious stones (diamonds, rubies, emeralds, sapphires and alexandrites, processed or unprocessed, as well as pearls, except jewelry and domestic articles). All these values constitute the currency assets of the Central Bank. They can be kept both in storage inside the country or on deposits abroad, about which the broad sector of the population knows nothing.

The main source of augmenting the Central Bank's currency assets is the compulsory sale by exporting enterprises of a part of their currency earnings to the state currency reserve.

In the first half of this year all exporters were compelled to sell half of their currency earnings – 40 percent to the republican currency reserve and 10 percent to the ruble stabilization fund. In the second half of this year the exporters will sell 30 percent of the currency earnings directly to the bank and 20 percent at the free currency market. During the first eight months of this year the volume of currency sales by exporters to the Central Bank made up 862.4 million dollars. A greater part of this sum was used in the first half of the year to maintain the exchange value of the ruble at the exchange market.

Commercial banks are another place where foreign currency is concentrated. They also have foreign currency assets and have opened currency accounts for Russian enterprises and some bold citizens.

Since currency legislation is not clear and government and Central Bank actions are hardly predictable, many enterprises and



Drawing by Alexander Zudin

private persons prefer to keep dollars in foreign bank accounts. This runs counter to current legislation under which one can have foreign currency abroad only for the conclusion of a definite deal and during his stay on a business trip. After the completion of their business deal all Russians must close their currency accounts and transfer money to one of the Russian banks.

However, it is impossible to check up on how this rule is observed. According to the Ministry for Foreign Economic Relations, Russian enterprises keep abroad six to eight billion dollars, with 30 to 35 percent of this sum transferred this year. True, a large part of these deposits is used for the payment of the subsequent import of goods. However, all of them are illegal because they are exempted from taxation in this way.

As for accounts opened by private persons in the West, the sums kept there are not very big. It is estimated that 150,000 to 200,000 Russians have opened accounts in Western banks. Since account-holders are unable to transfer their money from the West to Russia in a civilized way it's impractical to keep large sums there. Most accounts have 1,500 to 2,000 dollars. True, it should be remembered that roughly 20,000 Russians have Western credit cards. This means that they keep not less than 20,000 dollars each on their accounts.

Finally, most widespread for Russia and, incidentally, for many Eastern countries is to keep foreign currency at home. Russians no longer believe banks after the bankruptcy of the Vneshekonombank, which for many years was the only Soviet bank authorized to open currency accounts. At the end of last year some "clever" officials proposed freezing the miserable sums kept by Soviet citizens in their currency accounts. They thought that these sums would improve the situation in the payment of foreign debts. Soon after private persons began to withdraw all the money they kept in banks.

Opinion polls show that most Russians prefer to keep their dollars at home. Three year ago only one percent of citizens had foreign currency, today 19 percent have foreign currency (or had it before) or at least know how it looks and where it can be bought.

Where foreign currency goes

There are also various ways in which foreign currency is spent. A large part of foreign currency goes on imports.

During the first eight months of this year imports amounted to 21.7 billion dollars. Hard currency was paid for the import of 91 percent of goods. The vast majority of imported goods – so-called centralized imports – were paid by the state from currency reserves which consist of newly received credits. Enterprises spent only 1.8 billion dollars on import. They also had to pay 364 million dollars for the import of needed services. These payments exceed all

Drawing by Yevgeny Starodubtsev

the available hard currency earnings from export. The aim is to at least avoid an unfavourable trade balance, there can be no talk about a hard currency profit in the budget.

A very large foreign currency expenditure is the repayment of the foreign debt. This year, after all delays, Russia has to pay 11 billion dollars. Only 1.1 billion dollars has really been paid so far. None of the former republics of the USSR pays its share of the foreign debt. Russia is left trying to free herself from this mess on her own.

Every year Russia has to pay several hundred million dollars in contributions to international organizations where it is a member. It has to make payments to the United Nations, the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development and other several dozen organizations. Russia takes part in giving humanitarian aid to other countries, also in hard currency. Refusal to make these relatively small payments means isolation from the world community.

The most alarming expenditure item in foreign currency is what is called the flight of capital. This phenomenon is typical for the majority of developing countries and also for countries where the government pursues an unreasonable currency and tax policy.

There is a general rule: the higher the taxes, the stronger the flight of capital. In the case of foreign currency in Russia the function of a tax is carried out by the legislative order for the compulsory sale of a part of export earnings to the state. Since exporters were compelled to sell nearly half of their currency earnings at the so-called commercial, obviously underrated rate, the flight of capital assumed wide proportions. Now that the President mentioned the possible introduction of a 100 percent sale of currency earnings and officials talk about the probable closing of enterprises' currency accounts, the flight of capital could increase.

The channels of capital outflow are obvious. First of all, roughly 10 percent of export earnings is not transferred to Russia under the pretext that the importer of Russian goods allegedly refused to pay for them. In fact, the payment is made, but the earnings remain on accounts in Western banks. Secondly, Russian importers and exporters began to take advantage of transfer prices, long known by transnational corporations, that is, the overestimating of the cost of imported goods and the understating of the cost of exports. In fact, settlements are made at market prices and the difference achieved in this way remains on the account of a Russian enterprise abroad.

It is believed that the export prices of Russian commercial organizations are understated and import prices are overstated by 10 to 15 percent. It this way 300 to 500 million dollars are transferred abroad every year.

Thirdly, advance payments on import contracts are common now. After Western partners receive foreign currency sums from Russian enterprises they simply enter them in their accounts and do not supply goods causing the contract to be considered broken. Every year 200 to 350 million dollars flow from Russia in this way.

Finally, suffice it to open any newspaper of classified adds to see one more channel of capital out of the country. Emigrants leaving Russia for permanent residence abroad sell their flats, garages and country houses for hard currency on condition that appropriate sums will be deposited to their accounts in Western banks. In this way they have no need to take large sums in foreign currency with them. Such operations have assumed a wide scale, and their volume is estimated at one billion dollars a year.

Since foreign banks pay an interest on deposits (exceeding the rate of inflation) the annual flight of captial in all these forms can be estimated at 4 to 5 billion dollars. This sum can probably be tripled if illegal export and contraband of all sort are taken into account.

Thus getting into Russia, foreign currency circulates along an intricate criss-cross of routes which cannot be exactly traced either by economic or police means. This difficulty has recently been complicated due to some former Soviet republics introducing their own currencies, which have also become foreign for Russia. I am of the opinion that all existing currency flow should not be squeezed into legislative limits. It would simply be an impossible task. The government must do one thing, namely, convert the ruble into an attractive currency the possession of which in Russia will prove more advantageous than the possession of dollars or marks. In this case most other problems would disappear.

Nina Plekina

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Mark Podnos is well known among Russian scientists and economists. By profession he is a specialist in road-building machinery. In 1987, Podnos was head of a laboratory at the all-Union research institute Strojdormash (road-building machines). Then he became director of a small enterprise in the same field. In May 1991, Mark Podnos led an international commercial bank called Chasprombank.

Only recently Chasprombank was rated 83rd among commercial banks. Today it is among a group of 20 major banks in its field. The bank was founded early in 1990. Its first shareholders were managers in the watch making and jewelry industries. Hence the name of the bank (it is literally translated as the Bank of the Watch Making Industry).

There was a time when Chasprombank had only three rooms (one of them for its chairman) and nine employees on its staff. Its authorized capital originally made up 26.5 million rubles. Thanks to the new energetic and ingenious director, the bank's capital rose to 300 million rubles in 1992 and is expected to go up to 500 million by the end of the year. It pays an annual interest of 75 percent on deposits.

Under the direction of Mark Podnos, the bank has grown tremendously. It occupies a building in Moscow and has 100 employees on its staff. Branches are opening in other cities. The first one will be set up in Uglich, a major watch-making centre of Russia. The secret of the bank's success is largely explained by the fact that Mark Podnos's words are backed up with deeds. He takes a balanced, scientific approach to matters. While being Chairman of the bank, Mark Podnos is also a research professor at the Russian Business Academy.

Podnos doesn't share the pessimism of some experts concerning Russia's financial and economic future. "I believe in the stabilization of our economy," he says. "But I think it's not soon. Two or three years will be needed to restore an elementary amount of order in the economy."

The prospering banker expressed a favourable opinion of acting Central Bank Chairman Gerashchenko, though with some caution: "He is practical and has tremendous experience behind him. But let's wait and see."

■■■

A graduate of Kiev Polytechnic Institute, **Mark Shuan,** 52, heads the South African firm Finsem, which sells and leases heavy-capacity trucks and earth-moving machines. Three years ago, when there was no business or political cooperation between the two countries, Mark decided to start business with Russia at his own risk. He was the first South African entrepreneur to understand that the most effective form of cooperation is the organization of independent Russian companies in South Africa.

Machines produced by the BeLAZ and other giant works were to rival with the machines of world-famous Caterpillar and Komatsu. The Soviet-made machines proved their worth.

Mark Shuan's initiative has excellent prospects. Under the state programme of development, 70,000 square metres of housing are to be built for the black population. Roads will also have to be built and whole districts have to be provided with modern amenities. Russian-made machines and equipment will be required for work on such a scale.

■■■

Though Argentine manufacturer **Geraldo Preystz,** 61, was born in a little village not far from Buenos Aires, he considers that he came from the Volga-side area in Russia and represents a million Germans born in that area now living in Argentina.

Geraldo's grandfather left the Volga area for South America in 1889 and became one of the founders of German colonies there. Hundreds of Volga-side Germans also went with him. In this way Russian Germans protested against the Russian government's attempt to

Single-actor plays

The destinies of Russia and America are closely interwoven in the single-actor plays of American-Russian producer **Nichlas Burlak,** as of yet unexpected genre among our theatregoers. His father, who took part in the revolution of 1905 in Russia, fled to America to avoid capital punishment.

Nichlas Burlak was born in Bethlehem, Pennsylvania. He lived and studied in New York, where he worked as a shoeblack, newspaper and magazine vender, and circus gymnast. There were three brothers in the family: Michael, John and Nichlas. Their sister Annie was the eldest of the children. She remained in the United States. Shortly before the second world war the father, with his three sons, came to Russia.

In 1941, Burlak volunteered to join the Red Army and fought in its ranks from Kursk to Berlin. Among the numerous Russian autographs on the walls of the Reichstag building there was an inscription in English made by Nichlas Burlak.

For many years Burlak headed a musical drama theatre in Ukraine and worked as the chief producer at the State Concert Tour organization of the Ministry of Culture of the USSR. He is the author of several books, plays, scenarios and a serial of documentary stories under the general heading *An American in the Land of Bolsheviks.* In the 1960s and 1970s, Burlak's plays were shown on the stage of the Kremlin Palace of Congresses.

Today he is Art Director of the Moscow Theatre of Authors-Performers showing a series of his single-actor plays, *An American in the Land of Bolsheviks; 1940-1990.*

encroach on the rights and freedoms granted them by Empress Catherine II.

Geraldo's grandfather and father sowed grain crops and raised cattle on farms in the pampas, while Geraldo, at the age of 17, went into town for work. He was employed at a woodworking factory and then at a metallurgical plant. Twenty years ago, he became the owner of a tennery which now manufactures inexpensive sports shoes.

Though Preystz has had an Argentine passport from birth, he considers himself a Volga-side German. No one in South America seems to object. Preystz therefore hopes that the Germans now leaving Russia can settle in Argentina.

"There is enough room for everyone," Geraldo says. "Germans can revere their culture, language and traditions and pray in their language in village churches." Argentinians are not rich, but hospitable people, he believes. Local Germans are watching with regret the exodus of their compatriots from the East to the West and expect the arrival of the first 200 families of Russian Germans before the end of this year.

■ ■ ■

Lennart Meri's path to becoming President of Estonia, the second in the republic's history, was not an easy one indeed. At the September 20 elections none of the candidates succeeded in garnering more than half the votes. Lennart made it to the finish line second, with 28 percent of the votes. The first was ex-Supreme Soviet Chairman Arnold Rüütel, receiving 42 percent of the votes. Everything was to be decided in the second round of voting, which according to the Estonian Constitution, differs from the first. Only members of parliament partake in choosing the president, who decide a simpler issue — preference for one of the two candidates, who have already been chosen at a general election, in this case — between Arnold Rüütel and Lennart Meri. Fortune suddenly shined on Meri. At the October parliamentary session he captured 59 votes, Rüütel getting only 31. The cause of such a sharp differing of opinions among the MP/voters lies in the fact that a majority of them represent the ultra-nationalistic coalition Fatherland,

which Meri practically has in his back pocket.

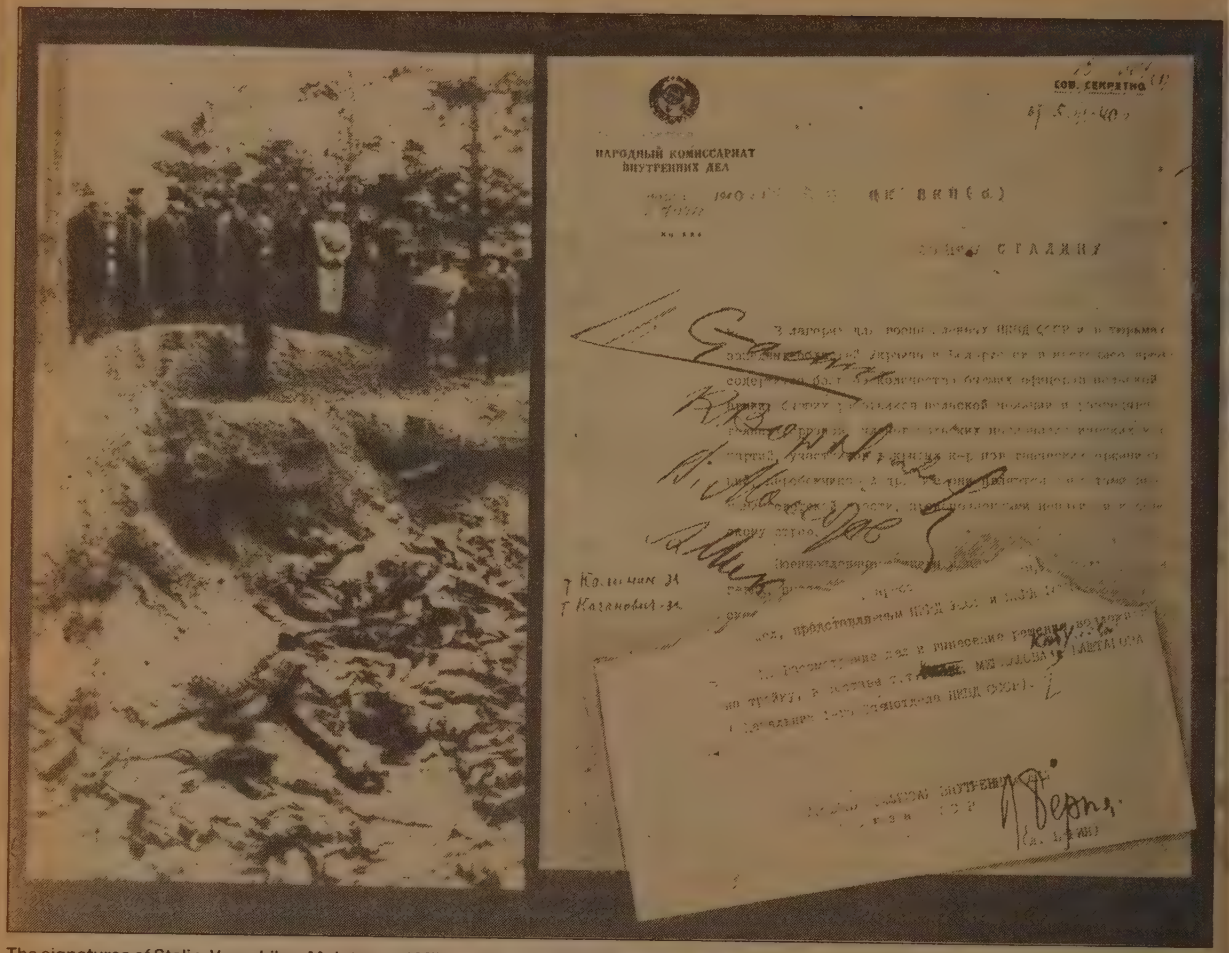
Lennart Meri is 63. He was born into a family of a journalist, a translator and a diplomat. When still a young boy, during Stalin's reign, he was sent off, together with his parents, to Siberia. Having returned from exile, he decided to follow in his father's footsteps. He enjoys wide popularity as both a writer and a diplomat. At one time he held the post of Minister of Foreign Affairs. He was Estonia's ambassador in Finland. In 1989 he fanned the flames of Russophobia with provocative statements, which were then published in the foreign press. He is an open advocate of kicking out of the country anyone who isn't of Estonian stock. Among many in the country he is known as an extremist politician.

A reform-minded director

Konstantin Kagalovsky is the first to become an International Monetary Fund director representing Russia. In banking circles, the appointment came as no surprise, but was even welcomed with a feeling of satisfaction and a certain amount of optimism. This is thanks to the fact that Kagalovsky's views are quite well known in the Western financial world. The new director is an advocate of a tough credit and financial policy, a non-deficit budget, economic liberalization and turning the ruble into Russia's convertible national currency. There is another factor in favour of Kagalovsky. He is personally known to other directors of the IMF and is acquainted with many officials there. So the problem of "compatibility" in his case is minimal. From November 1991 on, Kagalovsky was Russia's representative in the IMF and the World Bank. He played the main part in the conclusion of agreements with them. It is largely thanks to Kagalovsky's reputation that the IMF granted Russia the first credit of one billion dollars.

The implementation of a reform-oriented financial and economic policy requires such qualities as enterpise and original thinking. These qualities are inherent in Konstantin Kagalovsky, 35. Along with these merits he is also highly professional. Kagalovsky graduated from the prestigious Moscow Finance Institute and worked in the research institutes of the State Planning Committee and the Academy of Sciences. He understands banking and international finance from the inside out.

Kagalovsky is a stalwart advocate of the Gaidar reform package. The economic views held by the acting Premier and the Russian director of the IMF are as close as their friendship. In 1989, Kagalovsky founded and headed an International Centre for the Study of Economic Reforms. Few people now remember that its Soviet department was represented by Yegor Gaidar (chairman), A. Chubais, A. Shokhin and other members of the present Gaidar team, as well as by Central Bank Vice-Chairman A. Khandruyev. Thus, Russia's new IMF director is not simply a "reform-minded man" but also a "Gaidar man." This is very important for the Western businessmen, among whom Gaidar enjoys a rather high reputation. In short, many serious observers are convinced that the Russian authorities have made the right choice by nominating Kagalovsky for the post of a new IMF director.



The signatures of Stalin, Voroshilov, Molotov and Mikoyan on the NKVD's recommendation that over 21,000 Poles be shot. Kalinin and Kaganovich did not attend the session, but sent word that they were in favour of the shootings. Initially, People's Commissar for the Interior, Beria, included himself in the three-man court-martial which was to carry out the Party's decision. Later, the name of his deputy, Kobulov, was substituted for Beria's in what looks like Stalin's hand. It was Kobulov who conducted a secret briefing for the executionists in the Kremlin

Three men in the Kremlin and a package

Katyn: murder will out

In the spring of 1990, some ten days after Mikhail Gorbachev had handed the first file of Katyn documents to Wojciech Jaruzelski, the papers still remained top secret here in Moscow. An official of the CPSU Central Committee's International Department read out some "selected passages" for me, but didn't let me have even a xerox copy of the file. He was not authorized to.

Today we are supposed to live in a different state. Upon learning that the Politburo resolution of March 5, 1940, had been handed over to Lech Walesa and that Rudolf Pikhoya, Chairman of Russia's Archives Committee, had held a press conference in Warsaw on October 15, I made a few phone calls and promptly found out that the Special File, handed over to Poles, still remained top secret to Russians. Military procurators who had been investigating the Katyn shootings since the autumn of 1990 on Gorbachev's instructions did not get the "newly-found" documents at all yet. It was only from a television programme that the investigators learned that their long, hard and sometiems risky effort had been "crowned with success."

The Politburo's resolution dooming the Poles to death has been found at last. Is there anyone gullible enough to believe that it has been found now?

The story of the search for, and "detection" of,

the Katyn File is a long record of petty bureaucratic intrigues and obstruction, of lies told at all levels for the sake of "big politics." It is too early to dot all the i's, but the whole affair has left a nasty taste in the mouth.

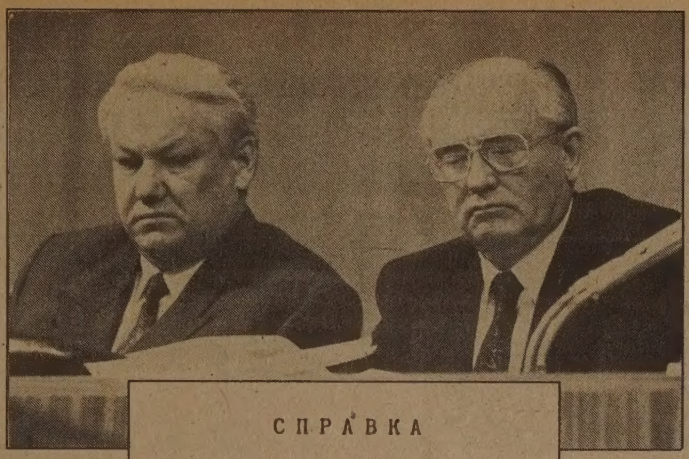
Decided against it?

The contents of the document are well known – all those who cared had got themselves, by hook or by crook, xerox copies of the file before it was "declassified." Those who looked for the file and followed the progress of the investigation were not in for a surprise. The main questions that arise in connection with the file have to do with recent times. They are: did Gorbachev know about these documents? When did Yeltsin learn about them?

In a register, attached to the file, there is an entry saying that Valery Boldin, Chief of the Records Department of the CPSU Central Committee (later the head of the USSR President's Office), had opened the file in mid-April 1989, exactly a year before the first documents were handed over to Jaruzelski. That Boldin "decided against" showing the file to Gorbachev is probable but hardly credible. More likely Gorbachev arrived at the conclusion that "Soviet and Polish public were not ripe for such exposes yet." Even much more "harmless" documents were handed over to Jaruzelski almost a year after the military historian Yury Zorya had found them in Special Archives. To my mind, the delay was due not only to opposition from the KGB and from the conservatives in the Politburo, and not only by it being expressly intended for Jaruzelski as a means of making him more popular in Poland. I think that Gorbachev himself and his closest entourage long remained undecided whether to make the file public or not. After all, it was as early as on November 1, 1989, that Valentin Falin, Chief of the Central Committee's International Department, informed Alexander Yakovlev about the results of Yury Zorya's investigations.

Gorbachev set forth his version of the Special File story recently: in his words, he was told about some important papers shortly before his resignation, locked the file in a safe and opened it only in Yeltsin's and Yakovlev's presence. Then it was up to Yeltsin to decide what to do with it...

Gorbachev has hardly "thought up" the incident, and, besides, Yeltsin has not denied it as yet. There is a note on the file's folder, saying that it was last opened on December 24, which confirms Gorbachev's story. Nevertheless the "three men with a package in the Kremlin" scene looks too much like a make-believe, and one cannot help suspecting that as he opened the package, Gorbachev knew exactly what it contained, and shifted all responsibility to Yeltsin.



СПРАВКА

Получил от тов.Болдина В.И. документы в заклеенной папке вместе с конвертом вскрытого пакета за № I, которая в тот же день сдана в УI сектор в новом опечатанном пакете за № I.

В.Галкин

18.IУ.89г.

Galkin of the CPSU Central Committee's Records Department, whose duties included supervising the two-way traffic of top-secret documents between the archives and top government leaders, registered the fact that Boldin had ordered the Special File in April 1989. Did Gorbachev look through the File himself, or did he content himself with hearing out Boldin's report?

And another question: when did Yeltsin learn about the Special File?

If we take it on trust that Gorbachev din't see Special File No. 1 until the day of his resignation, why then did the government leader who had set the world all agog by handing over the Katyn documents, forget all about Katyn after that and would not even hear of it? Many periodicals, *New Times* included, and official inquiries addressed to the Kremlin repeatedly indicated the exact whereabouts of the 1940 Politburo resolution: Sector No. 6 of the Presidential Archives. Procurator-General of the USSR applied to Gorbachev twice for assistance in finding the resolution. Nothing happened. Isn't it strange?

On the other hand, if Gorbachev familiarized himself with the contents of the Special File, the whole thing falls into place. He wanted the file for his eyes only, and preferred to make his own decisions on what to do with the explosive file, and when. More likely than not, the President simply delayed giving the go-ahead to declassify the documents until that they would merely confirm what was already common knowledge.

Last January, a Kremlin official who did not want his name disclosed told me about a talk Procurator-General Stepankov of Russia had had with his Polish colleague Sniezko and with Poland's General Consul Zurawski. Stepankov told them that a man from Gorbachev's entourage had admitted to having those documents sent to the President's Office.

The treasures of Sector No.6

How did the search go in Yeltsin's times? Much in the same way as it had gone in Gorbachev's

On October 3, 1991, the Military Procurator's Office sent an inquiry to Pikhoya, Chairman of the Archives Committee. No reply.

On January 29, 1992, A. Korotkov, Director of the Archives of the President of the Russian Federation (a former associate of F. Vaganov, the notorious chief of the Central Archives who had interfered with investigations into Katyn shootings in every way) finally gave the Military Procurator's Office the following reply: "Concerning your request for a copy of the resolution of the Central Committee of the All-Union Communist Party /Bolsheviks/ (on the Katyn shootings. – **L.Ye.**) no such resolution is found in the minutes of the Politburo sessions held in 1940 and in the Special File."

Now we know for certain that the text of the Resolution was there all right. If the archivists had not checked all the 1,500 files (although they could have confined themselves to Sector No. 6; besides, according to Gorbachev, the file in question stood out form the rest because it had "a number of external distinctive marks") why was their reply so confident?

On May 13, 1992, the doubting procurators asked A. Korotkov to let them into the President's archives. Korotkov denied the request on the grounds that (I quote from a report found in the archives of the Military Procurator's Office) he had "the verbal instructions of Comrade Petrov Yu.V., chief of the administrative staff of the President of the Russian Federation, not to let anyone into the archives he was in charge of without a personal permission from President B. Yeltsin of the Russian Federation."

Another source says that Yu. Petrov sent a note to the Archives Committee shortly after Lech Walesa's visit to Russia.

There was another thing which prevented the group of inquiry from being overly optimistic. On August 19, 1991, the first day of the rule of the State Emergency Committee, Victor Lakontsev, the chief of the KGB's Tver Region department, issued the following instructions to the military procurators who supervised excavations in the places where the shot Poles had been buried. "The situation has changed, and under the circumstances your work has lost all sense. Stop the excavations... We shall need the place for our own use yet." After a while, General Lakontsev became – guess what? – Chief of Staff of Russia's Security Ministry.

In the meantime, a member of the group of inquiry into the "CPSU money" worked in the President's Archive unhindered. This made the "Katyn group" feel unwanted, at least.

Finally, on May 27, Pikhoya announced he had personally checked the President's and the Politburo's archives and satisfied himself that Stalin's personal correspondence of 1938-45 had been eliminated. Therefore, he said, the Military Procurator's Office would not find the Stalin-signed resolution on shooting the Poles (I quote from the Procurator's records again). Only some "trifling odds and ends about the Poles" remained in the former archives of the Politburo of the CPSU Central Committee, Pikhoya went on.

There were more meetings and telephone conversations – the investigators were referred to other archives. Y. Petrov's secretary told them to apply to Y. Vasilyev, the chief of the President's secretariat. Y. Vasilyev promised to report their request to Y. Petrov, and then recommended having another talk with Pikhoya...

Rudolf Pikhoya knew about the existence of the Special File since long before October 1991 – I have no doubt about that.

Our bureaucratic upper crust have always been blocking access to any documents of historical and political value.

Found it, at last!

And now "Eureka!" Why so late? Many see this as another blow on Gorbachev. A murderous sequence, indeed: the summons to the Constitutional Court; the closing of the Gorbachev Foundation; the charges of trying to conceal the Katyn tragedy...

All this being part of the anti-Gorbachev campaign is obvious enough, although the ex-President's story about the "meeting of three" may cushion the blow. Nevertheless experts who insist on looking for more serious motives behind statemen's actions, say the following: after Lech Walesa's visit and especially after his September letter to Yeltsin suggesting the establishment of a Consultative Presidential Council, Russian-Polish relations reached a new level. That was the opportune time for playing the Katyn card (the time came too late for Gorbachev to take advantage of it; he had probably waited for it, which explains why such a dense veil of secrecy was drawn over the archives (Petrov's instructions) – a leak could spoil it all.

Yeltsin's associates were assured in Poland by Walesa's men that if the remaining information on Katyn was declassified, all the bilateral difficulties would be removed; Poland would not then insist on the internationalization of the problems by taking the matter to the International Court of Justice and on bringing the living participants of the 1940 events to account.

It was only then that the green light was given. Pikhoya took the documents to Warsaw, Sergei Shakhrai spoke at a session of the Constitutional Court. We have learned the truth, at last. The whole truth about Katyn, and part of the truth about our leaders...

Lev Yelin

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